

June

1921

THE NATION'S BUSINESS



Government and Business

Their Relation, by:

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American Carriers of World Commerce

Reach the Ports of the World

THIS work has been done with an intimate knowledge of the present needs of American exporters and importers and, most important, with a vision of our future needs.

You, Mr. Manufacturer, should see to it that your exports are carried in American bottoms. It is up to you whether we continue as a merchant marine power or slip back to the position of 1914, when foreign-owned shipping carried 92 per cent of our business.

The American owned and officered merchant marine of freighters, tankers and luxurious passenger ships offers every accommodation for commerce and travel.

New Combination Speedy Passenger and Freight Ships are Available for Your Ocean Voyages

Key number after ship's name indicates operator in list below.

LATEST PASSENGER SAILINGS, EXPRESS FREIGHT SERVICES

EUROPE

Queenstown, Baullogne, London
From New York
June 7—July 12—Aug. 16—Old North State (150).
June 28—Aug. 2—Panhandle State (150).
Bremen and Danzig—From New York
June 5—July 23—Aug. 18—Sept. 7—
Hosquiana (150).
June 15—July 28—Sept. 14—Oct. 20—
Polina (150).
July 13—Aug. 26—Hudson (150).
Naples and Genoa—From New York
June 8—July 26—Aug. 31—Oct. 12—
Princess Matilda (150).
Mar 21—Aug. 13—Sept. 24—Parahontas (150).
Plymouth, Cherbourg and Bremen
From New York
June 22—July 25—Aug. 26—America (150).
July 26—Aug. 27—Sept. 24—
George Washington (150).

SOUTH AMERICA

Rio de Janeiro, Montevideo and Buenos Aires—From New York
May 25—Huron (151). June 5—Anslus (91).

FAR EAST

Honolulu, Yokohama, Kobe, Shanghai, Manila
Hongkong—From San Francisco
July 23—Empire State (105).
May 28—Golden State (103).
Yokohama, Kobe, Shanghai, Hongkong, Manila
From Seattle
June 18—Aug. 27—Wenatchee (106).
July 2—Silver State (106).
July 30—Keystone State (106).
HAWAII, PHILIPPINES, EAST INDIES
Honolulu, Manila, Saigon, Singapore, Colombo,
Calcutta—From San Francisco
June 11—Wolverine State (105).
July 13—Granite State (105).

COASTWISE AND HAWAII

Havona, Canal, Los Angeles, San Francisco,
and Hawaiian Islands—From Baltimore
June 11—Huckeye State (80).

OPERATORS

80 Matsen Navigation Co.
126 Market St., San Francisco, Cal.
26 South Gay Street, Baltimore, Md.
91 Mueson Steamship Line.
67 Wall St., N. Y.
105 Pacific Mail S. S. Co.
7 Hanover Sq., N. Y.
601 Market Street, San Francisco, Cal.

106 The Admiral Line.
17 State St., N. Y.
L. C. Smith Bldg., Seattle, Wash.
108 U. S. Mail S. S. Co., Inc.
45 Broadway, N. Y.

Ship and Sail under the
Stars and Stripes
Keep our Ships on the
Seven Seas!

FOR SAILINGS OF FREIGHT SHIPS TO ALL PARTS OF THE WORLD WRITE DIVISION OF OPERATIONS,
TRAFFIC DEPARTMENT, U. S. SHIPPING BOARD EMERGENCY FLEET CORPORATION, WASHINGTON, D. C.

Vision vs. Indecision

The last six months have taught the value of economics in business.

Business men are learning that economic causes precede their visible effects by several months.

Nine months ago business conditions on the surface looked prosperous. Economic warnings of impending depression were everywhere present, but unrecognized, except by a few men of vision.

Which Way Is The Business Tide Going?

Ripples on the surface give no real clue. Today *appearances* indicate continued depression, whereas *economic conditions* are *fundamentally sound and daily improving*. The dangerous depths past, business is frantically swimming in water less than knee deep. What we need is to stand up and wade ashore.

Liquidation, while not quite complete in all lines, is practically so in the great majority. Lower discount and commercial paper rates, lower wages in many localities, increased Federal Reserves against deposits, substantial improvement in for-

eign exchange rates, and accumulated merchandise demand are all infallible signs—conditions which invariably precede a long period of healthy business growth.

Men of vision are not waiting for better conditions. They know that better conditions are here already—that it is only a matter of a few months when these bettered conditions will be reflected in improved merchandise demand. They are not expecting big sales at first, but a gradual and healthy resumption of trade.

Are You Prepared To Meet Keener Competition?

Relying on economic fundamentals rather than personal opinions or present surface conditions—men of vision are preparing now for the period of expansion so near at hand. To aid their plans of expansion and competition they are installing Mathews Conveyers. They realize that every corner must be cut—every possible saving made. That excessive handling methods may not rob them of profits realized from automatic machines and skilled hands, Mathews Conveyers are used to route materials from one operation to the next and fuse machines and men into one efficient working

unit. Only with fast, cheap handling methods can greatest production and lowest cost be realized.

To recommend expenditures when others are retrenching requires true vision and a sound knowledge of what the underlying causes of good business really are. With economic forces pointing to a gradual but healthy resumption of business this fall, *now* is the time to lay your expansion plans and include Mathews Conveyers in your program.

We have increased our engineering service department that we may better serve you. Our nearest engineer will design a system to meet your needs and submit prices without cost or obligation.

For quick descent of non-breakables—



Mathews Chute and Roller Carrier

Write today for catalog. Mathews Gravity Carrier Co., 148 Tenth Street, Ellwood City, Penna.

MATHEWS
SPEED ECONOMY
GRAVITY ROLLER CONVEYER

For quick descent of breakables—



Mathews Chute and Roller Spiral



How Much Space and Labor Do YOU Waste?

In the large photograph one man is doing work that formerly required four men. He is utilizing double the space previously usable. The installation is in the warehouse of O. W. Richardson Co., Chicago.

Overhead machinery is easily installed without preliminary building of scaffolding when the Economy Portable Elevator is available, as the center photograph shows.

Barrels can be piled to the ceiling, using every bit of space, and still keeping them in independent, accessible, safe tiers.



WRITE FOR
**FREE
BOOK**
"ECONOMY IN
STORAGE"



Buying NOW is SAVING Now

THE ECONOMY that prohibits the expenditure of *small* sums for the saving of *larger* amounts is costly economy. Yet many concerns, endeavoring to reduce operating costs to bedrock, are *squandering* thousands of dollars by just such a policy.

They are paying wages to warehouse and storage men who can be released for productive work. They are consuming time and wasting space through the laborious methods employed. Economy Portable Elevators and

Storage Racks, costing relatively a trifle, will *immediately* eliminate these wastes. This has been done for thousands of concerns in practically every line of business. It can be done for you.

You may not realize you are losing money. Economy Storage Engineers will gladly investigate and give you an unselfish report. *Satisfy yourself! Write NOW* for Free Booklet, "Economy in Storage," and other information. No obligation.

The ECONOMY
SYSTEM

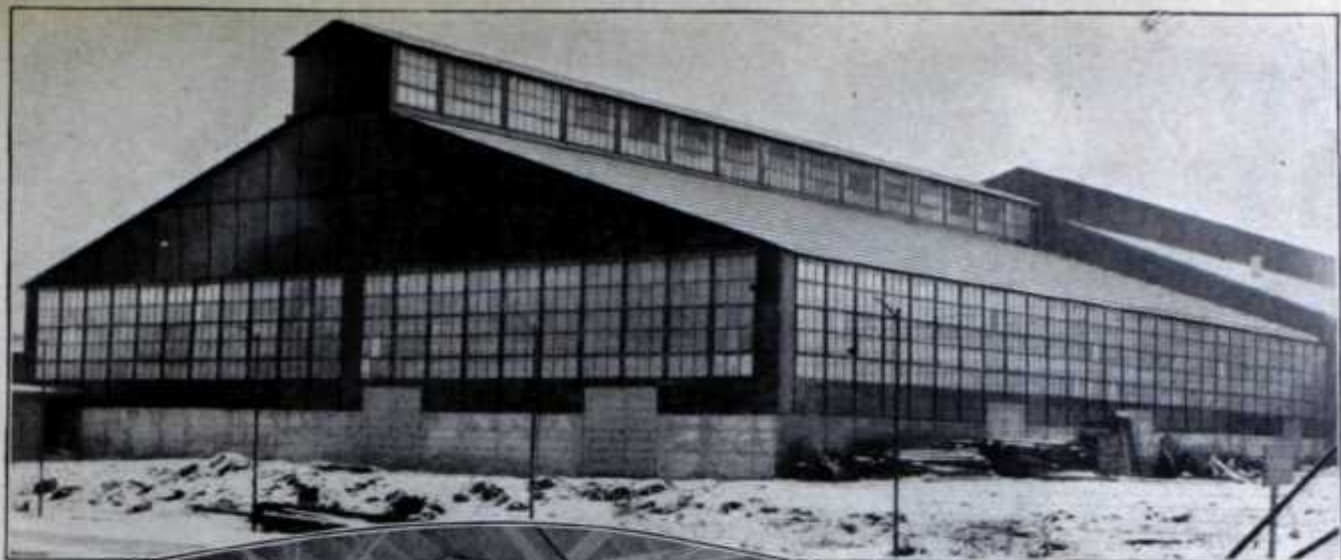
ECONOMY ENGINEERING COMPANY

2659 West Van Buren Street, Chicago, U. S. A.

BOSTON NEW YORK PHILADELPHIA DETROIT ATLANTA SAN FRANCISCO

How much space
are YOU wasting?

ECONOMY PORTABLE ELEVATORS and STORAGE RACKS



Dayton Pipe Coupling Co.,
Dayton, Ohio. Truscon
Standard Building, Type-
3 with lantern. 90' x 120'



Thermoid Rubber Co.,
Trenton, N. J. Truscon
Standard Bldg., Type-1

Build with Economy-plus

YOU buy more than a permanent, well-daylighted and easily heated building when you buy a Truscon Standard Building.

You buy a building lower in initial cost than other types of permanent construction—lower in erection costs and what is equally important, a building that you can easily enlarge or take down and re-erect in a new place. Truscon Standard Buildings are the permanent construction with 100% salvage value. All of this means that you build with economy-plus.

There is another plus in Truscon Standard Buildings and that is their degree of permanence. These buildings are constructed entirely of steel units. Truscon Alloy Steel is used in roof and side walls. Truscon Steel Sash is used throughout.

Now is the time to buy Truscon Standard Buildings. Take advantage of the opportunity offered in their low cost. You will find them suitable for the widest variety of purposes, including foundries, machine shops, factories, warehouses, tool rooms, freight sheds, garages, cafeterias, etc.

Truscon Standard Buildings are furnished in many types, including Monitor, Sawtooth, and pitched roof (with lantern if desired). They may be had in practically every size. Heights up to 21' 4".

Return coupon today or write us on your letterhead. Address Dept. B6

TRUSCON STEEL COMPANY
YOUNGSTOWN, OHIO

Warehouses and Sales Offices in Principal Cities

TRUSCON

STANDARD  BUILDINGS

INFORMATION COUPON

Diagrams show Types and sizes of TRUSCON STANDARD BUILDINGS. HEIGHTS, curb to eave 8' 0" to 21' 4". LENGTHS, Types 1, 2, 3, 4 any Multiple of 20'. LANTERN, 12' 0" wide provided at Ridge of any Building 40' 0" or more in width.



TYPE 1

Widths . 6 - 8 - 10 - 12 - 16 - 20 - 24 - 28 - 30 - 40 - 50 - 60



TYPE 2

Widths . 40 - 50 - 60



TYPE 3

Widths . 30 - 52 - 56 - 58 - 60 - 64 - 66 - 70 - 74 - 78 - 80 - 84 - 90



TYPE 4

Widths . 80 or 100 (4 Bays at 20' or 25')



TYPE 5

Widths 10 - 12 - 14 - 16 - 18 - 20 - 22 - 24 - 26 - 28 - 30 - 32 - 34 - 36 - 38 - 40 - 42 - 44 - 46 - 48 - 50 - 52 - 54 - 56 - 58 - 60 - 62 - 64 - 66 - 68 - 70 - 72 - 74 - 76 - 78 - 80 - 82 - 84 - 86 - 88 - 90 - 92 - 94 - 96 - 98 - 100 - 102 - 104 - 106 - 108 - 110 - 112 - 114 - 116 - 118 - 120 - 122 - 124 - 126 - 128 - 130 - 132 - 134 - 136 - 138 - 140 - 142 - 144 - 146 - 148 - 150 - 152 - 154 - 156 - 158 - 160 - 162 - 164 - 166 - 168 - 170 - 172 - 174 - 176 - 178 - 180 - 182 - 184 - 186 - 188 - 190 - 192 - 194 - 196 - 198 - 200 - 202 - 204 - 206 - 208 - 210 - 212 - 214 - 216 - 218 - 220 - 222 - 224 - 226 - 228 - 230 - 232 - 234 - 236 - 238 - 240 - 242 - 244 - 246 - 248 - 250 - 252 - 254 - 256 - 258 - 260 - 262 - 264 - 266 - 268 - 270 - 272 - 274 - 276 - 278 - 280 - 282 - 284 - 286 - 288 - 290 - 292 - 294 - 296 - 298 - 300 - 302 - 304 - 306 - 308 - 310 - 312 - 314 - 316 - 318 - 320 - 322 - 324 - 326 - 328 - 330 - 332 - 334 - 336 - 338 - 340 - 342 - 344 - 346 - 348 - 350 - 352 - 354 - 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If anything happens on those open knife switches out there— Don't blame me!

For 18 months—said the chief electrician—I've been talking about the open knife switches we're using out there. Every month I've been marking the Square D advertising for your attention. I've been telling you that electricity is safe, but that open knife switches near careless men are dangerous.

Some day we're going to have an accident—maybe a serious one. One of the men is going to reach for his switch without looking. He'll get a jolt that sends him staggering—perhaps away from his machine—perhaps...

It can happen and it's only a question of time until it does!

The dangerous open knife switch is being

attacked everywhere. The fire marshal has been warning us. The safety commission has been writing us. And now the National Board of Fire Underwriters has practically doomed the open knife switch by ruling that enclosed safety switches should be used. Why, the architect on the new Donaldson plant refused even to specify open knife switches because they're fire and accident hazards!

I can't *insist* that we install safety switches. But I *can* recommend it. If we install Square Ds, it won't cost very much. But if we don't—if we keep on letting the men work with open knife switches at their elbows—and if anything happens—*then don't blame me!*

Danger!



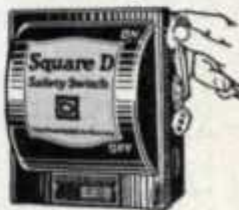
Install Square D — Prevent accidents

Completely enclosed, lockable, externally operated, and plainly indicating when "ON" and "OFF," Square D Safety Switches supply absolute insurance against fire and accident. To obtain the cost of a complete protective Square D installation, call any electrical contractor. He can tell you to a penny.

DEALERS: Write for our proven business getting plan. It will help you hasten the installation of Square D switches in the factories and homes in your territory

Square D Company, Detroit, U. S. A.
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Safety!



Square D Safety Switch Makes Electricity Safe for Everyone



Progress—



TODAY, San Francisco is less than twenty-five hours from St. Louis by airplane. In 1860, the schedule for the "Overland Mail" was twenty-five days.

Progress has revolutionized building as well as transportation. Greater efficiency, with consequent material savings, are being realized today as compared with only a few years ago.

Take the Hydraulic Steel Building—a modern development. Note how trim it is—no costly bulk. A low cost, fireproof structure, standardized to save in both time and cost of production and erection, yet thoroughly adapted to individual need. Scores of manufacturers and builders can testify to this—among them:

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Goff-Kirby Company	- Cleveland, Ohio
Miller Rubber Company	- MacIntyre, Georgia
Moss Tie Company	- Granville, Wisconsin
N. J. State Highway Department	- Danville, New Jersey
Paige-Detroit Motor Car Company	- Detroit, Michigan
Standard Oil Company	- Parkersburg, W. Va.
Utility Hoist & Mfg. Company	- Milwaukee, Wisconsin
L. E. Waterman	- Newark, New Jersey
Wood Hydraulic Hoist & Body Company	- Detroit, Michigan

You will be interested in the new Hydraulic Steel Building catalogue which tells how these buildings are economically meeting the needs of industry. We shall be glad to send you a copy, or our representative will personally bring you the facts.

THE HYDRAULIC STEELCRAFT COMPANY

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IT is only natural that well-packed goods, by saving time and labor for the dealer, stand highest in his favor and esteem. Ease in handling and unpacking, together with speed and accuracy in checking merchandise are big steps toward the gaining of dealer good will. Goods that reach him fresh, clean and ready for his shelves mean quicker and easier sales. The dealer is *always* glad to "push" such goods.



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The HINDE & DAUCH PAPER CO.
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Through the Editor's Spectacles

WHO is author of the phrase, "More Business in Government, Less Government in Business"?

The dispute on this point among our readers is growing more animated as time goes on. In an amplified form the phrase was made the central theme of the annual convention at Atlantic City of the Chamber of Commerce of the United States; but before that it had appeared, during the last campaign, over a magazine article by Mr. Harding. Now comes the Worcester, Mass., *Telegram* with credit in another quarter:

So far as can be found, it was Senator Edge who formulated the original in a speech in the late winter of 1920 at a banquet in Newark.

George Garner, secretary to Mr. Edge, thinks the Senator originated the phrase, probably in the summer of 1919, and says he has repeated it in varying form in many speeches since then. But he adds:

As far as credit goes, I think Senator Edge would feel as Admiral Schley said, "There is credit enough for all."

And there the matter stands. Aristotle, who seems to have said nearly everything about politics first, may have put the thought in one form or another. But for the present the palm must remain with Senator Edge.

EXTRACTS from two letters received in the same mail:

I do not agree with many of the articles published and feel that we are not going forward with our big problems by only supporting one side of many issues. In other words, there is too much so-called capitalistic influence in the articles published.—J. V. S. Bishop, of Bishop, Friedman & Bergstrom, Philadelphia.

I have been a patron of your paper during the last year, and whether so intended or not, it has impressed me strongly, and also many more who are thinking hard without speaking out, as strongly communistic and socialistic in its tendencies upon a very large and growing part of the public mind.—John C. Reed, of Standard Sanitary Mfg. Co., Pittsburgh.

Comment: Whenever we fail to get one of the foregoing letters—no matter which one—we'll inspect our editorial sights with no little anxiety.

MORE and more we are coming to realize, as we learn fresh lessons in thrift, that the Ragman, whom some of us have ignorantly looked down upon, is really a conservator. We are reminded of this by F. W. Reidenbach, former president of the National Association of Waste Material Dealers, who writes us that "in the average housewife you have the beginning of a wasting machine that has caused many a hard-working man to go even as far as suicide." Well, we would hardly have put it so strongly as that! But Mr. Reidenbach's vision of a day when "our schools and colleges, yes, even the great universities, will establish means for the instruction of men in the proper uses of waste time as well as of material things," seems perhaps not unjustified.

The happy thought is this: When we learn to make use of waste time and material, it is no longer waste. Thus by indirection do we approach a pleasant paradox. The Ragman is a teacher as well as a conservator.

MR. JAMES DOUGLAS, of Manassas, Va., takes exception to our quoting Guy Morrison Walker on Thrift in the last number. He writes:

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THE NATION'S BUSINESS

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As the official magazine of the National Chamber, this publication carries authoritative notices and articles in regard to the activities of the Chamber. But in all other respects, the Chamber is not responsible for the contents of the article or for the opinion to which expression is given.

Are you really as innocent as your editorial on "Speaking of Thrift" in *THE NATION'S BUSINESS* for the current month would seem to indicate? If you are you surely have the wrong job.

Even the most rabid anarchist would not consider property, the product of one's own labor, as theft.

Property becomes theft only when it is the product of other people's labor for which no adequate return has been rendered to the producer.

The anachronism in our system of business is that the return rendered the producer for the property or wealth he produces is based not on the value of the product, but on the lowest possible cost of the labor power necessary to produce the property or wealth.

Mr. Walker is perfectly correct from the point of view of "Business," for if all people would practice "thrift" down to the last notch the whole bottom would drop out of our system of "business." It needs no argument to prove this.

Moreover, the voluntary practice of thrift by the producing class would simply lead to the enforced practice of that virtue, for, under the "Iron Law of Wages," the producing class receives but a bare

subsistence for the product of its labor and the man on the street, of whom there are now five millions, is hungry for a job.

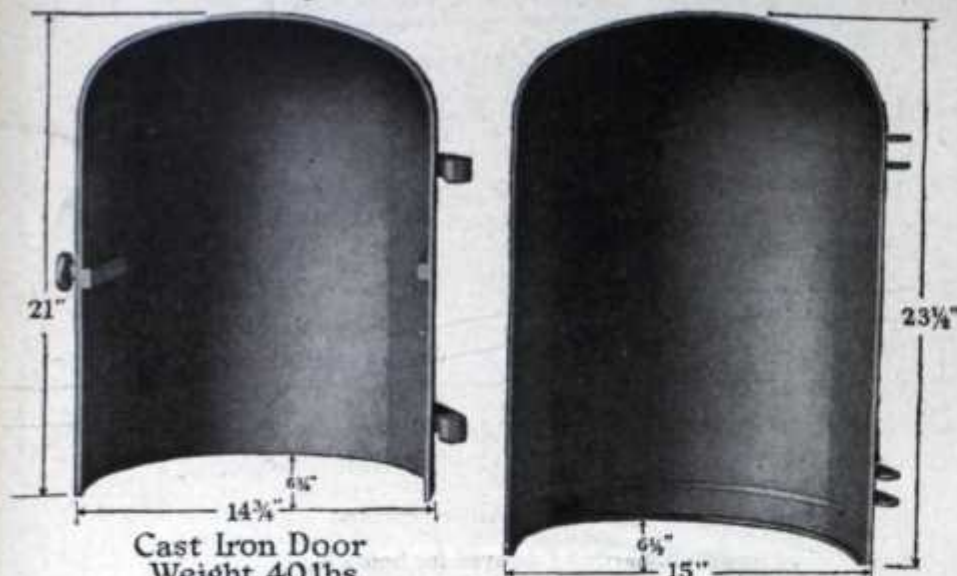
WHEN is a luxury tax? Representative Aaron S. Kreider, who attended the annual meeting of the Chamber, raised the question when he told this story:

A woman went into a restaurant and ordered a plate of ice cream, and when she came to pay she had a check for 15 cents, and 2 cents were added to it. She asked, "What does that two cents mean?" "Well," she was told, "fifteen cents for your ice cream and two cents luxury tax."

She paid it, and then she walked across the street to the drug store and asked for a corn plaster, and she got her check for ten cents, and one cent added. She said, "What is the one cent for?" "That is the luxury tax." "Well," she said, "this is the first time I ever knew that corns were a luxury."

SPEAKING of chiropody reminds us of what Clarence H. Howard, president of the Commonwealth Steel Co., of St. Louis,

"Press It from Steel Instead"



Cast Iron Door
Weight 40 lbs

Pressed Steel Door
Weight 22 lbs.



Notice that although the pressed steel door is stronger and larger, it is 18 pounds lighter and proportionately less costly.

The Door on the "Gas" Pump Has A Lesson for You—

NEXT time you stop at a "gas" station, notice the door on the pump. It may be one of the old heavy cast-iron doors weighing 40 pounds, but more than likely it's a newer, lighter and much less expensive door that we have "pressed from steel instead."

If it is one of our doors, it weighs only 22 pounds and represents a big saving in cost and 18 pounds in weight to the manufacturer for whom we made it. It should be of interest to you if you are using

any cast parts in your business, because it is typical of the savings we are making for hundreds of manufacturers by replacing their cast parts with *stronger, lighter, and less expensive* pressed steel parts.

Check Over Your Parts List

Pick out one of the cast parts you're using and send it along to us. We'll tell you, without obligation, just how much we can save you by "pressing it from steel instead." Please address your inquiry to the Engineering Dept.

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THE YOUNGSTOWN PRESSED STEEL COMPANY
WARREN OHIO



All our factories are now consolidated in one big, new plant at Warren, O.

Youngstown
PRODUCTS

had to say of the man or concern which tries to get too much for its money.

A Chinese newly arrived in this country went to a shoe store to buy a pair of shoes. He found a pair for \$2 and they fit his feet. But he discovered that another pair several sizes larger were sold for the same price. He bought the bigger pair, because he believed he was getting more for his money.

"All he got," says Mr. Howard, "was corns."

G. PRATHER KNAPP, of the Mississippi Valley Trust Company, in St. Louis, gave us a simile the other day of the present foreign trade situation:

The farmer goes out to the pump of a winter morning, says Mr. Knapp, and tries to draw water. But he finds he can't get it, although there's plenty of good water in the well and plenty of muscle at the end of the pump handle. What is needed is a cup of hot water, to thaw things out. The Foreign Trade Finance Corporation is the cup of hot water needed right now to start goods moving internationally.

FORMER Secretary of Commerce Redfield gives us this definite illustration of what present conditions in South America mean to the American manufacturer:

Today there are forty million dollars in value of American goods unsold in the harbor of Buenos Aires alone. Among them are 3,700 automobiles. Is it sensible, is it reasonable, to take a step which will practically prevent the delivery of that large amount of American goods? If they were your goods, how would you feel about it? The same is true in Rio, and the same is true in Callao. There the warehouses are full of undelivered American goods, railway cars are filled, and scows in the bay are covered with undelivered American goods, covered with tarpaulins to keep them out of the wet, while small motor launches at night bring thieves out into the bay who shoot the watchmen and have carried off, in some cases, as much as sixty per cent of these goods.

HAROLD YOUNG, of the Retail Dry Goods Association, shares the prevailing prejudice against present taxation methods, which notoriously cost the taxpayer more than the Government gets. He puts it thus:

The present taxes remind me of the man who was fortunate enough to be married, but who was so unfortunate as to feel that he gets off more cheaply by not giving his wife an allowance and having her go through his pockets at night.

GEORGE W. ALGER, in his article on legislative class cleavage for our May number, "misses one big point," in the opinion of a thoughtful reader. "That is in emphasizing the fact," this reader writes, "that the farmer's and the laborer's interests in the last analysis really do clash in this respect—that the farmers are working for high prices, whereas labor (a large element of consumers) wishes low prices, or, from another angle, labor wishes high wages; and the farmer, as an employer, has found his costs mounting on account of the wages he has had to pay his 'help' in recent years."

We have been familiar for several years with Mr. Alger's cogent and clear-headed articles, and we are willing to lay a bet that he didn't exactly "miss" this point. We were under the unhappy necessity of limiting his space, and probably he didn't have room to develop that angle.

DOCTOR CHARLES W. ELIOT'S observation, in the February number of this magazine, that the American public was becoming more and more subject to "herd impulses, gregarious impulses, common emotions," and that it wasn't doing its own thinking, touched responsive chords in many an editorial breast. Even today its echoes reverberate through newspaper and magazine

sanctuaries. A reader in Chicago sends us a clipping from an editorial in the *Chicago News*, which is so good that we can't refrain from quoting a paragraph:

This continent of cults and isms, the residence of flourishing but half-baked ideas, home of hoaxes and presidential "cousins," of political make-believe, and with a soil fertile to rank growths of propaganda, is evidently not devoted solely to the shrewd native wit of our tradition nor to that Yankee freedom to be contrary. About the granite of American common sense storms and hysterics of unsound belief have thickened increasingly.

Dangerous credulity, this writer concludes, has an enemy in good education. This was precisely Doctor Eliot's well-taken stand.

REPRESENTATIVE GOOD'S suggestion, in his article in our April number, that additional taxes be imposed on automobiles, is unpalatable, to put it mildly, to men in the automobile business.

At the present time in Minnesota, writes R. B. Kelly, of the La Crosse Auto Co., we are paying five per cent Government tax; two per cent State tax, and one per cent village or city wheelage tax, and we believe that the best way to put the automobile dealers entirely out of business is by putting on some additional automobile taxes.

We have read a lot of mighty good things in *THE NATION'S BUSINESS* and have learned a lot from it, but the article above mentioned certainly "gets our goat."

I once knew an editor who wouldn't print the weather report when it predicted bad weather. We asked Mr. Good for his opinions and it would not only be bootless but bad taste to suggest what views he should express.

ROY CHAPMAN ANDREWS is heading the Third Asiatic Expedition for the American Museum of Natural History to search for "the missing link." He had about 2,500 applications to join his party, on a journey certain to involve hardships, possibly danger. He had expected cowboys, sportsmen, authors, and soldiers to volunteer; but previous experience, he confides, "had not prepared me for the application of a well-established banker, whose request to accompany me was backed by the local Chamber of Commerce."

TO WHAT extent will a real bargain tempt the buyer nowadays?

Light is thrown on this question by a letter from John E. Lloyd, president of the National Retail Coal Merchants' Association. Mr. Lloyd lives in Philadelphia, and is the head of a large retail firm there. We asked him about prices of anthracite in that city, and here is part of his reply:

The reduction made by the retail dealers on April first in the Philadelphia district was on the average of from \$12 to \$11 on pea coal, \$15 to \$13.75 on nut, \$15 to \$13.75 on stove and \$14.75 to \$13.50 on egg, a reduction on the average of fifty cents below that made by any of the producing companies.

This was done by the retail dealers to try to stimulate buying in April and avoid, if possible, panicky conditions and shortage of coal next fall and winter. The result was not as successful as we had hoped, and I do not believe on the average that the consumer placed over 50 per cent of the average amount of business usually placed in the month of April in previous years.

A CHICAGO reader sends in a clipping containing Senator La Follette's attack on the U. S. Chamber as "the most dangerous organization, the most prejudicial to democracy, etc.," and adds:

"Senator La Follette is running a close second to a soap-box orator I heard the other day who described the U. S. Chamber and the National Association of Manufacturers as those tremendous organizations with their headquarters in Wall street and their hindquarters all over the country."

M.T.

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This makes all the more important the fact that Silvertown Cords are included in our re-adjustment of tire prices which took effect May 2nd.

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Akron, Ohio

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NATION'S BUSINESS

A Magazine for  Business Men

VOLUME 9, NUMBER 6

JUNE, 1921

What Government Can Do

There is need for more impartial reports of business and for support in meeting abroad the militant trusts of Europe that are growing in numbers and strength

By HERBERT HOOVER

Secretary of Commerce

IN ENTERING on any discussion of our commercial situation, it would be foolish not to acknowledge frankly that we are in the midst of great economic difficulties. But it is infinitely more foolish for anyone to think we will not grow out of this situation.

We have gone through a postwar speculative boom, stimulated by a world vacuum in commodities. We are suffering, both from the aftermath of the boom and from the war destruction with its consequent reaction upon us of the greatly lowered standards of living in Europe. In some ways the situation is even more difficult than that following the Civil War, because today our economic machinery is more intricate and less easy to adjust, and we are not dealing with a domestic situation as then, but a world situation.

At the moment there is a great shrinkage of production in general industry, there is a slowing of commodity movement that imperils our railways, there is demoralization in our agricultural industry, there is a stoppage in our building despite the national necessity for homes, and there is great unemployment.

We have much upon which to congratulate ourselves. Our difficulties are infinitely less than those of Europe; we have weathered the danger point of a great crisis; our financial system has proven its strength and for the first time we have passed safely through a commodity crisis without monetary panic. Our people have abundant food and abundant clothing. We are at least warmly housed, even though crowded. We possess, in the high intelligence, high courage, and high ideals for our people, ample reserves of economic, social, and political strength. We possess a great sense of neighborliness that has had fine manifestation in these difficult months in help given each other in weathering the storm. We have had a remarkably small ratio of failures. I am convinced we have fundamentally turned the corner.

The Uses of Hard Times

MUCH of the readjustment can be accomplished only with time and patience. Economies of hard times produce savings and greater endeavor. Shrinkage in values yields more free capital. These savings in turn fertilize the soil for upward progress.

There are many impediments to the smooth movement of readjustment that every one can enumerate, and every one will set a different value and importance upon each of them. From all quarters of our domestic field we have daily enumerated as impediments to recovery—badly adjusted railway rates,

Prices March Down with Uneven Step

MUCH of the bitterness that marks this period of deflationary readjustment is due to the unevenness of the movement. Secretary Hoover presents this table in proof. It gives some recent index figures compared with a prewar basis of 100:

Farm prices (crops)	115
Farm prices (animals)	123
Wholesale food	150
Retail food	156
Railway receipts per ton mile ..	166
Lighting	207
Building materials	212
House furnishings	275
New York Industrial Commission wage index	212
Department labor, hourly union wage index	199

excessive and badly adjusted taxes, insufficient tariff, high wages, high profits, high interest, restriction on effort by labor, and a dozen others, while our domestic recuperation is sadly interlocked with the recovery of Europe.

There is slow and only partial realization by some bankers, directors of public utilities, manufacturers, and distributors, both employers and employees included, of the fact that we must approach a parity of levels in profits, prices, and wages in different industries. Some groups are able to put up stronger resistance to reduction of economic levels than others. For instance, this resistance against lower levels in the services and commodities that the farmer must buy in the face of his very much lower returns, is already digging a grave of unemployment for the other industries.

With inflation and price changes of a rapidity and magnitude never before known, human nature involuntarily seeks preservation and voluntarily seeks advantages.

Financiers, manufacturers, merchants—employers and employees—have all acted with varying degrees of self-control. No greater lesson can be brought home to our people than that we must not only get, but give *quid pro quo* in service. No particular economic fraction of our population can long continue securing advantage without disaster

to itself and the community. Our whole economic and moral problem, indeed, our safety, our satisfaction, and our happiness are balanced upon our practice of this basic fundamental in business dealings.

There are many encouraging signs in this readjustment. There is very much less speculation and profiteering. Many manufacturers and wholesalers are making cuts in their inventories that equal or exceed the increases which they obtained when we were on the up-grade. They are passing their savings in raw materials and labor on to the next step in distribution. Economically, the retailer is of necessity the last of the chain to make readjustment and in some localities and some lines he has been less responsive to the necessity of this readjustment than the situation calls for. The processes of competition work very sharply and promptly upon the manufacturer and wholesaler because the buyers are comparatively few and very wise. They do not so react upon the retailer because the public at large is not so wise and is too inert to do that shopping around for the best bargains which is necessary to set up the processes of competition.

Labor shows a willingness to make reductions in wages in many directions and I believe is willing to face even further reductions, if its sacrifices can be demonstratively handed on, in general reduction of final price levels, so that the cost of living travels in step. Labor is growing in efficiency and shows a willingness to remove the objectionable limitations that grew up in some industries during the war.

To Protect Our Standards of Living

IT IS entirely possible for us to maintain our high standards of living if we can secure equitable readjustments all along the line. But we must face the fact that if we are to hold to our higher standard of living and to maintain employment of our people against the competition of the living standards of Europe, lowered for a whole generation, we must do it by better judgment, greater efficiency, and by harder work.

The railways in our country, more than any other place in the world, are the keys of industry. No one can question the financial difficulties of the railways and the fundamental necessity of producing for them financial stability. But I conceive that the continued use of an emergency horizontal basis of rate increases can be seriously questioned. I believe any examination of the rate-making structure of this country will

show that it was based fundamentally upon charges varying to a rough extent with the value of commodities. This method was modified by competition, and by the deliberate policy of the railways to stimulate local industries and local production. Horizontal rate increases have thrown the relativity of these rate scales out of gear, both as to value of commodities and zones of distribution. The increase of the rate may amount to 5 per cent on the shipper's value of some commodities and 80 per cent on others.

Our great industries have grown up in the supply of the cheapest transportation in the world for their basic raw materials, with a higher differential on their finished products. We have many complaints of the hardship worked by the upset in ratio; complaints that it is readjusting the commercial and industrial map of the United States; complaints that in some industries the charge can be passed on to the consumer while in others, such as agriculture, it falls largely upon the producer; and complaints that it is stifling production.

It appears to me that, even though the same total income must be earned by the railways, there must be a commodity and class readjustment in rates both in the interest of the community and the railways themselves. Such a readjustment of rates was indeed forecast by the Interstate Commerce Commission as a necessity at the time of the last horizontal rate increase. We must also look forward to ultimate reductions in rates if the economic levels of the country are to find an equilibrium.

The present condition of our great building industry must cause us great anxiety. Our people are short one-and-a-half-million homes, rising rents are material factors in readjustment, the accompanying sanitary and moral problems are serious—and at the same time we have several million idle men.

There are of course many economic forces involved. The costs of building construction have by no means come down to the same level as have the costs of many other industries. This difference in economic levels is, of course, a great bar to renewal of construction activity and it is attributable to many causes.

The whole question of economic levels in the building industry also involves considerations of a moral character. The public is daily receiving conviction that combinations and conspiracies of all kinds exist in this industry to maintain fictitious levels—creating waste, extortionate profits, corruption of various sorts and kinds. The summation of these has been to destroy public confidence in a great degree.

A great majority of the manufacturing, distributing and assembling trades and workers are not in any manner participants in wrongdoing and are indeed suffering from the actions of a small minority in the industry.

We want to emphasize Mr. Hoover's statement that "We are a nation of men, women, and children. Our industrial system and our commerce is simply an implement for their comfort and happiness. Our object is to defend and increase our standards of living."

It seems to me that the Chambers of Commerce in the different cities and towns of the United States could well interest themselves in the solution of this problem, and if they were to further the movement already started of local conferences with the different branches of the construction industry—material, labor, contractors, together with bankers and other civic bodies representing the consumer—they might not only raise moral standards but also secure helpful economic action by such community movements.

Prompt and clear sighted public service of this character may contribute materially to re-living the stagnation in the building trades and to the amelioration of suffering arising from the present condition. The national government cannot go into the business of building. The Department of Commerce is doing what it can to contribute through a voluntary movement to secure the development of more uniform building codes and the standardization of certain materials. This uniformity alone would save many tens of millions annually if it could be accomplished.

Viewing the disastrous phenomena of boom and slump in the light of what the government can properly do, I believe there has been a great underestimation as to the potential importance to commerce and industry in this connection of an adequate service of statistics. I believe that the stability and soundness of business can be greatly enhanced and that vicious speculation can be curtailed by a more adequate information service maintained by the Government.

What I mean is that we should have more timely, more regular and more complete information of the current production and consumption and stocks of every great commodity in the United States. I am convinced

that we should go even further than this; that we should secure and publish the proportion of the total equipment of more important industries, that is, in current production, together with the total proportion of labor complement that is in service; and that in a few commodities it may be well to procure and publish the primary prices.

If, for instance, last autumn the public had realized that our stocks of coal on the surface were probably above normal, that at the time they were bidding for coal at \$15 per ton, the actual realization at the mine was probably less than \$4.00; if they had been aware that the capacity of the coal mines were even then not running over 80 per cent; that the limitation of supply was due to railway difficulties which would be solved with a little patience; then, I am convinced that many sensible people would have stayed out of the coal market, and that we should have had no buying panic, with its profiteering, its consequent slump and great losses.

The Want of Information

ANOTHER instance is the rubber industry, and I believe the members of that industry will bear me out in saying that if there had been an accurate monthly statement of the current ratio of production capacity and operation in the different branches of the industry, and of the stocks of major manufactured and raw materials in hand, they would have been saved tremendous losses not only in over-accumulation of goods, but also in over-expansion of equipment.

Various industries have tried time and again to secure such data informally, but it is essential to success that it should be collected and presented to the whole commercial community, buyer, seller, and banker, by some department of the Government which approaches the problem in a purely objective way, which will hold the individual's return absolutely confidential; and from which the whole public and the industry can enjoy equality of service. Such services

are partially conducted in many different bureaus of the Government, but to accomplish their real purpose and greatest value, they must be consolidated and conducted more efficiently and from a much broader point of view. I have little doubt that the present expenditures of the Government, if directed by consolidated effort, would cover the entire service necessary.

In the field of our foreign commerce, the shrinkage in our exports thunders at the doors of every home in America the warning that we have no isolation from the problems of the world. The unsettlement of the German indemnity, the failure of the United States to make peace, the maintenance of great armament and back-breaking taxes, the continued hemorrhages of paper money in many



foreign states, their struggles over nationalization of industry, the situation in Russia, all militate against European recovery and react upon us.

Our exports have shown a great decrease in value, due to many causes: To the foreign political situation; to the fall in prices reflecting in values rather than volume; to a general decrease in world trade common to every country with world realization of war destruction; to the inability of our financial machinery to meet the credit demands of such foreign countries as are short of the commodities we have in surplus; to our undeveloped machinery of foreign marketing; to some recovery in industrial production of Europe and the consequent ability, particularly that of the Germans, to underbid us in common markets; and finally to the campaign of militant commercial organization of our competitors in various directions.

What to Do With the Trade Balance

IN the matter of foreign credits, we have all recognized the necessities of better organization of our financial machinery for this purpose. The chief of these necessities arises from our transformation from a debtor to a creditor nation and to the expansion of our production into a larger surplus for export. Unless we contemplate a great shrinkage in industry, continued unemployment and a readjustment of our entire productive machinery, we can not for a generation or more absorb enough imports to balance our exports. It is economically feasible to continue a large favorable balance of trade, provided we are prepared to reinvest our balance in long-time credits in the creation of reproductive enterprises abroad.

We also have deficiency in our foreign credit machinery at another point. Trade in many countries requires credits of from three to eighteen months; and is, therefore, beyond the normal reach of our banking system. I have looked upon the Edge Act with some possible amendments as a great charter for the advance of foreign commerce for the United States. Through it, wise discrimination can be made for investment abroad by specially skilled and experienced men, and through it the reservoirs of our domestic investors can be tapped by a safe domestic guarantee.

But the Government can do no more than provide legal facilities; the initiative of our people must do the rest. We must have the cooperation of our bankers and our industry if our largely expanded foreign commerce is not to break at this point. We have need for immediate action, for some groups, including our farmers, are in great difficulties.

We are at a disadvantage against European manufacturers and exporters in our foreign marketing machinery and our lack of foothold in industry abroad. Except in a few industries, we do not have an adequate representation of native Americans in wholesale business, and in general business enterprise in foreign countries. The selling of f.o.b. goods in boom times is easy. It is ephemeral. It leads to goods badly adapted to foreign markets; it leads to bad credits; it leads to our being put in the discard by business houses of competing nationalities the moment they can draw from their home market.

Every merchant will agree with me that the sale of goods abroad is a matter of salesmanship and national sentiment as well as of quality and prices. None except our own citizens can properly represent these factors. We can liken our present foreign marketing system to a supply train and a general staff, with no fighting men on the front. Our

competitors hold the front line and naturally we lose the market when competition arises.

In addition to distribution, one of the strongest foundations of foreign trade is our own citizens engaged in foreign industry. Their enterprises constitute a constant pull of machinery and supplies. It is useless for the Government to say to Americans, "Exile yourselves; get into business, distribution, and industry; protect our foreign trade." Other nations, even under the pressure of necessity, have required generations to build up their marketing systems and their foreign industries. Our Government has tried to devise a short cut to the establishment of distribution agencies through the Webb-Pomerene law, by which the risks that individuals would hesitate to take can be spread over numbers of manufacturers. If our laws are inadequate to stimulate, protect and give equality to American citizens who exile themselves in trade abroad, then we should legislate further. One thing is certain, that so long as non-resident Americans are the only nationality who pay income taxes to their home governments on foreign earnings, they have no equality in competition.

Some situations among our competitors must concern us. I find considerable discouragement in some trades at the apparent inability to meet German competition. At the present moment German manufacturers are exporting goods at prices that we can meet with great difficulty in foreign markets, and are, indeed, invading our home markets at such levels that we need strenuous protection if some of our industries are not to close. I do not, however, anticipate that the present level of prices quoted by our German commercial and industrial rivals can continue indefinitely. An examination of the internal economy of Germany will show that the Government is subsidizing food prices through selling imports at a loss; it is subsidizing transportation through payments of railway losses; it is paying large losses upon public utilities generally; thus by indirectly subsidizing business, that government has created a situation where their individual manufacturer can quote prices of extraordinarily low order. On the other hand, these government subsidies are being largely met by the emission of paper money, and unless all our economic experience is to go by the board, this can not continue indefinitely.

Militant Foreign Organizations

THERE are distinct signs in foreign commercial organization of a militancy which may call for some remedy on our side. Prior to the war there was a tendency toward consolidated action amongst European exporters; that is, manufacturing pools for joint export, and such combinations were able to inaugurate competitive processes which could not be met by individualistic export business, and which often enough could extinguish even our domestic industry.

The German export cartel was the most highly developed form of this system, but that system also showed signs of development in other countries. Since the war this type of combination for exports abroad has directly and indirectly had further growth. Our Webb-Pomerene Law is not an answer to this type of governmentally encouraged and stimulated combination.

During the war necessity compelled many governments, including even our own, to consolidate the imports of the great commodities. Most of these direct government agencies have been dissolved. In several instances, however, the foreign government activities have been replaced by consolidated action on

the part of importers either with or without encouragement by their governments. In other words, we now face a new phenomena in the world's trade in the possibility of combinations of buyers of our commodities. Such combinations are enabled by the large volume purchased greatly to influence the level of prices.

I do not think that any student of the movements of wheat prices in the last twelve months can ignore the material influence of various European Government purchases in the depression of our wheat price. Such import combinations not only exist for food, but also include in certain countries coal, phosphates, hides and leather, and some other commodities in which we are interested.

I am convinced that this whole process of combination for import and export trade requires much thought. If it is to continue to expand we have before us one of two alternatives; either these combinations in import and export commerce must be suppressed through international agreement or alternatively we must take further action in our protection.

I do not know whether international agreement would be of any avail, because there has been a wave of internal industrial and financial mergers in Europe that far transcends that of the United States prior to the passage of the Sherman Act. There has been no considerable disposition among European governments to take such action as was taken by our people in the passage of the Anti-Trust laws. Actual amalgamations of large industrial and financial groups may have the same result on single hand control of both export and import prices as though they were merely associations for the purpose of export and import alone.

Our Only Defensive Weapon?

I AM convinced that the subject requires much careful consideration, and while there are many difficulties and dangers in legalizing combinations for import into the United States, this may be our only defensive weapon against other nations organizing to control the export prices of some of our commodities. It is a certainty that our imports in certain commodities are of so large a volume as to enable us to dominate the price.

Broadly, in all our commercial activities abroad we ask for only one thing—that is equality with all others—and equality abroad to the opportunities we offer to others in our country. We are prepared to rely upon our own skill from that point forward.

There are indeed many problems, foreign and domestic, that could be reviewed for your further consideration and suggestion, but I would regret indeed if the recitation of problems for which we must find a solution should carry any air of pessimism.

With the intelligence, productive power and resourcefulness of the American people, we will emerge from all this, but the rapidity with which we recover will depend upon the promptness with which we grasp and well understand the nature of our difficulties and upon the unity and energy of our action.

While our recovery may be slower than some may expect, nothing can prevent the prosperity of a country where the people have enlightenment, wish to work, wish to produce and wish to do right by their neighbors.

We need remember at all times that we are not a nation of machines, and houses, factories and railways. We are a nation of men, women and children. Our industrial system and our commerce is simply an implement for their comfort and happiness.

Cuss Words and Our Utilities

The "public be damned" attitude was countered by a "company be damned" feeling; now communities realize that corporations which serve them honestly must be supported

By EDWARD N. HURLEY

Former Chairman, Federal Trade Commission, and Former Chairman of the Shipping Board

IN THE EARLY and competitive development of the electrical industry methods were employed by some managers which were not consistent with good business ethics. In some cases, more attention was given to the selfish interest of the corporations than to public needs, with the result that in a number of communities a chaotic condition developed. Local politics and prejudices often entered into the settlement of utility questions, and expert advice on engineering, valuation, accounting, rates and service counted for little.

This condition left the service-using public helpless against poor and inadequate service and against unjust rates. This method of control, like any commercial project not based on costs, resulted in poor service where rates were too low, and in extravagance and corruption where rates were too high.

In either case, the public failed to get what is now looked upon as an essential—good and adequate service at a fair rate. Cities and villages found that if, individually, they attempted to regulate rates of service, each, necessarily, would be forced to create staffs of highly skilled and highly paid experts and that there would ensue constant conflict of practices and principles between the expert staffs of the various municipalities.

In the absence of proper regulation there are some communities even today in which utility companies are attempting to ride roughshod over their patrons and the public, or where the public, through lack of understanding of its own self-interest in the prosperity and well-being of the utilities, is refusing them fair treatment, or even endeavoring to wreck them.

The system of State regulation by commissions now in effect in forty-two States is the natural and logical outgrowth of the attempt to remedy the obvious and unbearable faults of the old system. Statistical data have been compiled by the commissions regarding the capital invested in the electric lighting and street railway companies. All questions of valuations, depreciation, etc., are under their control. They have at hand every detail as to how the properties are financed, and what the earnings are. Every fact and figure is before them.

Is there any valid reason why a definite policy should not be outlined for the many electric light and street railway companies that are being seriously delayed in obtaining permission to expand and to improve their service to the public? The large majority of the State commissions consist of men with courage and a knowledge of the public's requirements, but in a few States there are members of commissions who are still resorting to the old political methods of handling



From a drawing by Herbert Pullinger.

Municipal Building, New York

cases brought before them. The public should be the first to rebuke such policies, as it is the public which always suffers as a result.

In the early days of the electrical industry and in the absence of collective facts, unwarranted attacks upon a public utility might be overlooked. But today, with all the necessary data before both the people and the State commissions, it is impossible to expect progress where charges are made with ulterior motives.

The financial standing of a well-managed street railway, gas or electric lighting plant is as vital to the life and development of a community as its banks, and should be protected against unfair attacks so that customers and the investing public will have confidence in the properties, resulting in a desire to purchase utility securities when offered. The American people must realize that confidence in public utility securities cannot be had by constant, unjust criticism.

No public utility corporation subject to regulation can finance its requirements out of earnings. For each dollar of additional annual gross revenue from the sale of electric energy by a light and power company, it is necessary to provide additional facilities involving an investment of from \$4 to \$6. Thus

a company with a gross revenue of, say, \$1,000,000 per year, to provide for a growth of 10 per cent per annum (\$100,000), which is a very moderate rate, would have to spend \$400,000 to \$600,000 for additional generating capacity and distribution facilities.

With earnings limited by commission regulation to 8 per cent on the invested property value, which is below the actual cost of obtaining capital, it will be readily seen that additional capital must be secured if the facilities are to be provided to enable the growing service requirements of the community to be met, and such capital can be obtained only if assured a reasonable, permanent return.

Therefore, adequate facilities for the transportation, lighting, and industrial requirements of a growing community can be made available only if the attitude of the public and of the commission authorities toward the electric enterprise is such as to encourage the necessary capital investment and to afford it the security as to principal and return without which the investor will refuse to become interested in the situation.

When financing, companies are compelled to make provisions for ample reservations, so that today public utility securities with substantial reserves are gilt-edged.

We must use scales to weigh our local utility problems, and withhold public criticism until the real facts are thoroughly known. For instance, one particular case of snap judgment happened in connection with the National War Labor Board during the war.

The employees of the street railway in a town of about 250,000 demanded an increased wage. The War Labor Board granted the increase without giving the management a chance to present its side of the case. The matter was later reviewed after the wages had been put in force. It was then found that the street railway company could not meet the increase awarded and pay the interest on its bonds. It was suggested that the company increase the rate of fare, but it developed that if the rate of fare was increased to meet this overnight increase in wages, the reduction in the number of passengers carried, in the number of people who would stop riding rather than pay this increased fare, would make it impossible for the company to meet its fixed charges.

This hurried decision, in fact, placed the street railway corporation in such an embarrassing position that a readjustment of wages and conditions was necessary in order to permit the street railway to survive.

The "public be damned" policy in public utility companies has been practically eliminated. We may find some of the old methods

in force in certain rural towns, but modern managers now sell the public needs to their employes when those employes first enter the service, and then keep them informed as to anticipated requirements. This is good business. The public is entitled to 100 per cent service, and we have hundreds of public utility organizations that are giving it, but unfortunately the public is reluctant to commend their efforts, since the people find difficulty in differentiating between the many good companies that give adequate service and those who are inefficient and indifferent.

Unless the public, the State commissions and the utility corporations work together and create that confidence which will influence people to invest in utility securities,

I am convinced that the nation within three years will fall so far behind in electrical development that it will be without sufficient current to provide for electrical home labor-saving devices, for unless capital investment can be encouraged through the creation of this confidence, the expansion of our industries will be seriously retarded.

In some sections of the country where communities are not receiving proper services of local lighting or transportation companies, or where misunderstandings have led to bitterness, the people are advocating municipal ownership. While no doubt drastic action, due to mismanagement and lack of understanding of the public needs, is warranted, I am convinced that municipal or govern-

mental ownership will not give the relief desired.

If the advocates of government ownership investigate the facts carefully and impartially, they will find that government operation in industrial service is a flat failure from a "service to the public" standpoint.

When public utilities realize what high grade service means and what effect such a service in its operation has upon its customers and the public, then the questions of municipal or governmental ownership will gradually drop into the background and the public recognition of the difficulties and the need for encouragement and liberality will quickly aid in the solution of this national problem.

The Diplomatic Duty of Business

Never was there a greater need for sound economic thinking on world affairs, and never were statesmen more ready to listen to the views of the leaders in industry

By A. C. BEDFORD

Chairman, Standard Oil Company of New Jersey; Vice-President, International Chamber of Commerce

NEVER BEFORE have financial and economic problems of greater magnitude had to be faced than in the winter we have just passed. Not alone has the situation been most serious, but there have been many prophets of despair, some of whom are vociferous.

The lessons we learned within the past year were salutary. Above all, we had to see that the reckless extravagance of recent years had to be abandoned. We had to appreciate that only through economy and saving could we again get down to the bed-rock foundation upon which real business health and prosperity are established.

We are also enmeshed in the great world situation from which there is no escape, and to do our part in the solution of these gigantic issues is an obligation, the meaning of which we are appreciating more each day. Never has interdependence, the close economic interrelationship of nations been more strikingly evident. We are a part of a huge family in which we must bear our share of the burden, but in which we also have the most wonderful opportunities ever granted to a people. I fully believe that the Americans who met fully their every responsibility in the war will continue to carry the obligations that followed the war, and will avail themselves of the great future opening before them.

Since the end of the war, politicians and diplomats have done their work, giving the best that they had, but the tasks of these distressing times have not been such as they could handle with entire success. The problems have been economic as well as political and it is to the economists, practical, clear-thinking men of business, that civilization is turning today for relief. Business men are becoming conscious of the necessity and the duty which is theirs of developing effective means for determining and expressing the views which the widest business experience shows are in the common interests.

In a speech delivered a short time ago by the Prime Minister of Great Britain, Mr. Lloyd George, he said:

It is very important that the Government should have a body come to it which speaks on behalf of business as a whole, and not a part. Therefore, I am glad that the great business community, the

directing brains of industry, are federating, combining and coordinating, and are prepared to give common counsel to the Government.

If this is true with reference to the federation of British industries whom the Prime Minister was addressing, how much more is it true of the nations of the world? The former Chancellor of the Exchequer of the British Empire, Sir Reginald McKenna, has recently declared that the time had come when the bankers and economists and business men should have a hand in the work of directing the policy of reconstruction.

Business stands as a real bulwark against disorder and distress, the only force which can start the wheels of progress again.

When the war ended and the discussion of reconstruction came up, the business men who had been allies in war, who had thus coordinated their efforts almost to a man, realized the necessity for coordinating international business in the future for the promotion of civilization. Thus, through an organization such as the International Chamber of Commerce, the banking and business interests are put in a position to act on their own initiative in facilitating the freest play of commerce.

We are all learning the value of conference; of sitting down around the table and discussing common problems.

We are realizing its value in adjusting the relationship between capital and labor in our domestic industries. We are awake to its potential benefits in our relations at home between business and government. National diplomacy is realizing that it is more difficult to accomplish results by correspondence and at long range than it is for those interested to come face to face and consider the questions at issue. The Allied Premiers are finding today that the effective way to remove irritation and difficulties is to get together and talk it over. To accomplish these same results in matters of international business is one of the primary aims of the International Chamber.

In the past the nationals of different countries have pursued their trade rivalries by methods sometimes fair and sometimes foul; they have conceived grievances against their foreign competitors, they have often imagined difficulties and embitterments which

were never intended; they have perhaps imposed upon their competitors burdens and penalties which would never have been inflicted if each had had a thorough understanding of the point of view and purpose of the other.

It is very probable that the cohesion of the great races of the world will persist; it is likely that nations and sects will continue to maintain their solidarity. The day of internationalism is certainly not here.

But the business problems of the world overlap national boundaries and they must be considered in the light of the interests of the peoples of the world as a whole.

President Harding at Jacksonville a few weeks ago expressed the whole truth in saying that "Indissoluble ties of righteous trade promote international friendships more than all the compacts ever written."

It is expected that through the head office of the International Chamber at Paris, as a result of the conference and negotiations, information of vital importance will be regularly supplied to American business and decisions will be reached and action taken, promotive in a very increasing measure of the establishment of those "indissoluble ties of righteous trade." That the American business men may meet and take counsel with the business men of England, France, Italy, and Belgium, to the end that the questions involved may be constructively studied, is a part of the program of activities of the International Chamber.

America has to face today the twofold task of promoting our foreign export trade and of making it possible for the world to liquidate the financial balance which now stands in our favor.

The future of American greatness in foreign trade depends upon our ability to think and act internationally. We have always found it possible to employ most of our money at home. But the investment markets of the world know no boundary lines, and in the future the opportunity of the American merchant and manufacturer will lie not alone in promoting his trade at home, but in casting in his lot with the business men of the world to promote the building of industries, the clearing of the waste places of the world, and the making fruitful of the barren fields.

Uncle Sam's Side of the Bargain

Jefferson said that we owed protection to our citizens abroad who were subject to taxes and military duty; in the struggle for oil Americans need a real government policy

By VAN H. MANNING

Director Research, American Petroleum Institute

IN OUR discussion of great economic problems during the past two and one-half years, oil has been "pipe-lined" into the field of international diplomacy in such volumes that today the nations of the world are seriously considering the problem of securing adequate supplies for the future.

The United States and Mexico are supplying 88 per cent of the world's oil production. Figuring in the output of Canada, Trinidad, Peru, Argentina, and Venezuela, the western hemisphere is being drawn upon for 89 per cent of the world's requirements. The American Petroleum Institute estimates that the world produced 688,474,000 barrels in 1920, compared with 544,885,000 barrels in 1919. Of the total world production in 1920 the United States supplied 443,402,000 barrels, or 65 per cent, and Mexico approximately 159,800,000 barrels, or 23 per cent.

In the United States, Mexico, Peru, Canada, and Colombia, the Americans are the largest producers. The British control the oil lands in India and Persia. In Russia, Dutch East Indies, Roumania, Trinidad, Egypt, and Venezuela, the British and Dutch hold the dominating interest. The French are the major producers in Galicia, Alsace, and Italy; the English and French are interested in Algeria; the Argentinians are the major producers in Argentina; the Japanese in Japan and Formosa; the Germans in Germany; and the Portuguese and Americans in Angola, which is still a potential rather than an actual producer. Of the world's present petroleum output or production, 65 per cent is being supplied from wells within the territorial limits of the United States.

I want to emphasize here the fact that an analysis of the relation of the United States to supplies, refers to the present production of oil only.

Now as to the future supply of oil which will come from the resources in the ground, the chief geologist of the United States Geological Survey recently divided the world's petroleum deposits as follows:

Western hemisphere, 21,800,000,000 barrels, or 50.6 per cent of the total deposits;

Eastern hemisphere, 21,255,000,000 barrels, or 49.4 per cent of the total deposits.

Applying the present rate of drain to these estimated recoverable reserves, the disproportionately rapid exhaustion of the fields of the eastern hemisphere would be clearly indicated. It is estimated that the United States has about 12 per cent of the recoverable oil; Mexico has about 7½ per cent. In the United States and Mexico, American citizens control by ownership about 16 per cent of the world's future supply of oil. Outside of the United States, American capital controls about 2 per cent of the oil resources. By this I mean that the United States controls only about 18 per cent of the oil stored in the ground.



The United States must have gasoline for 8,500,000 automobiles and trucks, and for tractors, stationary engines, and motor boats so numerous that they bring the total to 10,000,000. These figures do not include needs of the navy, army, and marine, nor of other industries. Yet Americans control but 18 per cent of the oil still stored in the earth.

It may be said, to the credit of our Government, that no advantage has ever been taken of its political influence or its control in the affairs of the people of the United States to close the door to outside interests in the development of our domestic oil fields; nor has our Government ever taken the attitude of securing concessions for the benefit of our nationals because we believed that the concessions should be conserved for the use of the United States.

One of the unfortunate results of the war has been a departure from the friendly spirit of competition between some nations of the world, and a nationalistic tendency has developed involving programs of exclusion, discrimination, or restrictive legislation against aliens and the policy of one power and monopolistic development of domains by the nation under whose sphere of influence the territory happens to be. We must expect, as a natural result of the war, an awakened sense of self-protection. All nations may well give serious consideration to the question of their future supply of oil, but this must not be at the price of sacrificing principles in international trade, which are the very substance of the world's progress and peace. The rules of competition should not be discrimination, and the policy of discrimination is distinctly irreconcilable with the broad motive of national security, as we see it in

the United States. It is, moreover, not a farsighted policy to conserve within the confines of any nation the materials which are now essential to civilization and the world's progressive welfare.

Our international task of today is to bring order out of chaos. This cannot be accomplished by adhering too closely to the principles that it is an inherent right of a nation to dictate its own policies, laws, or regulations without regard to those nations whose interests are so closely intermingled.

There are seventeen countries, inclusive of colonial possessions, which have laws or regulations which, directly or indirectly or remotely, relate to restrictions which retard proper petroleum development. Such restrictive measures which have gained headway in outside territories furnish an exhibit strikingly illuminative of the necessity of our Government having a definite petroleum policy. It can be said, to the credit of our State Department, prompt steps have always been taken looking to the removal of restrictions which operate directly or indirectly against our citizens in foreign countries. Representations have been made to every oil-producing nation in which Americans are operating where restrictive laws or regulations obtain. But of what avail are these representations unless they are backed by forceful definiteness of a real policy? How can American interests be best supported, taking into full consideration the various aspects of the international petroleum situation?

Our diplomatic representatives have been at a hopeless disadvantage in many of their negotiations, because of the lack of real power to enforce reciprocity when our nationals are discriminated against. The war is over, and all artificial measures should be removed.

Not Markets But Supplies

THE oil problem of the future will not be the finding of markets, but finding the sources of supply. It is certain the United States will have to obtain a considerable proportion of supply from outside territories. It is of supreme consequence, therefore, that there be an open door policy throughout the world. Neither the United States Government nor the American people are asking for a monopoly, nor for any privileges that would endanger the security of other people. The American people will not be misled by statements emanating abroad that there are special groups seeking to dominate the oil situation, hinting at the support of the American Government as "an attempt to becloud the real issue."

It is unthinkable that any American company should engage in any contest with any government in its efforts to secure oil for its nationals. The interest and rights of the American people, as a whole, are involved rather than those of any one, or of several

companies. The question is "shall Americans have equal rights to engage in the development of the resources of the world with citizens of other nations? Shall Americans be granted the same privileges abroad which citizens of other nations have enjoyed in the United States?"

It is only by the free and unhampered development of the petroleum resources of the world that they can be obtained and maintained for the future in sufficient quantities to meet the universal and ever-growing demands of all nations. The world today is confronted with a petroleum problem which demands serious consideration by all nations working as a unit under a plan capable of immediate application, and the future peace of the world depends, to a very great degree, on a unity of action which will assure equal treatment to all nations in their explorations and developments of oil properties wherever found.

Our Government should continue to insist on the open door policy in all countries, and when this policy is conceded, effective means should be provided to protect all rights ac-

quired by American citizens. A rule of action, enunciated by Thomas Jefferson, was a principle "that the American citizen abroad owes and discharges tax and military service to the United States. The United States owes and must discharge to that citizen the duty of protecting him in his life and property."

This is good Americanism. It does not mean war or commercial destruction. It means peace and prosperity between nations.

The United States can not indefinitely carry the burden of furnishing the potential supply of petroleum for the world, and if there could be brought about an association of international relationship between these oil-producing countries, working in harmony to furnish the world with power and light, a repetition of a world war would be impossible.

The Council Gets Together

THE meeting of the National Council of the Chamber of Commerce of the United States led the program of this year's conven-

tion at Atlantic City. The chairs were filled when President Joseph H. Defrees called the session to order. After the program was approved, Elliot H. Goodwin, Resident Vice-President addressed the meeting.

Mr. Goodwin answered the charge made by Senator La Follette that the National Chamber was a powerful "lobby" and that it was "sordid to its soul."

Henry Giessenbier, President of the United States Junior Chamber of Commerce, described the work of his organization.

Mr. Giessenbier was followed by Archer Wall Douglas, who is well known to the readers of THE NATION'S BUSINESS through his monthly report on business conditions. Mr. Douglas is chairman of the Chamber's Committee on Statistics and Standards. He made a short and interesting talk on the business outlook.

A report of the Committee on American Ideals was read by Ernest T. Trigg, of Philadelphia, one of the members. The meeting was closed with a report of the Committee on Budget and Efficiency, which was presented by Dr. W. F. Willoughby, of Washington.

A Tariff to Move Goods Out

The day has passed when we can levy duties solely to bar foreign manufacturers—a greater responsibility is to set in motion the wheels of our own trade

By WILLIAM C. REDFIELD

President, American Manufacturers Export Association; Former Secretary of Commerce

THE TROUBLE in discussing tariff policy seems often to be that men fail to see the forest because of the trees, or do not get to the heart of the woods because they are caught in the underbrush. It may be worth while to try to clear away some of the brush in order to see more clearly.

It ought to go without saying that a tariff which is ten years old and those ten years having been years of world economic and financial and human overturn, undoubtedly needs to be readjusted to the present time. This is not to say that it should be adjusted either upward or downward or in any rigid, inflexible way, but that it would be strange indeed if a tariff formed under former conditions should not need changes under present ones.

In attempting to suggest the basis on which changes should be made, we discover at the outset that the task is so complex and so vast that only a few general principles can be laid down. Action under these principles or others will, of course, rest upon the responsible leaders of political action. Yet the principles are those standards by which their action will be measured and by which they will stand or fall.

First—then, any tariff must be based upon facts. Not upon assumed facts nor past facts nor near facts, but upon actual ascertained, balanced truth.

Second—a tariff policy should be directed with due regard to all of our commerce and not merely to a part of it.

Third—a tariff policy must consider our position as a creditor nation as it did formerly consider our position as a debtor one.

Fourth—a tariff policy which is purely selfish will fail and ought to fail. A sharp distinction must be drawn between enlightened self-interest and selfishness. One is

right—the other wrong. One is just—the other unjust. One is fair—the other unfair. One is farsighted—the other shortsighted.

Fifth—a tariff policy requires a decision between two phases of commercial discussion: A—keep goods out, B—send goods out. We can not do both on any controlling scale at one and the same time. In the long run, if a nation will not buy, it shall not sell. Conversely, if it needs to sell, it must in due season be prepared to buy.

Sixth—a tariff policy must represent sound moral values as well as good sense. It is not a refuge for the derelicts of industry, nor can it supply through indirect national gratuities lack of management, of capital and of efficiency. We must enter upon a tariff policy with clean hands and this means with candid statements which are not half truths, but whole ones.

I have sometimes thought that if a prerequisite to an appearance before the Ways and Means Committee on behalf of an industry seeking a higher tariff were an accurate statement of production costs certified by an impartial C. P. A., we should get in our discussions of this subject not only much-needed clear light, but some pure air. A tariff policy can not be based upon assumptions—for assumptions will not always stand the test of time. We can not, for example, proceed upon the basis that all imports are an essential evil or that reckless grouping of aggregates affords a sound basis for economic reasoning.

Let us face some facts. The world owes us principal and interest on both public and private account about fifteen billion dollars. This is not merely Europe, but the whole round globe. It can be paid in three ways and only in three—in money, in goods, in service.

We have taken in recently a considerable amount of gold, much more than usual, but not enough to pay one year's back interest on the principal of the public debt alone. We are rendering for ourselves the services which others once did for us as respects the merchant marine and can not look for any large payment this way, though services to American travelers abroad count for a little.

There remains the third method—payment in goods. Of course, we shall fund the whole public debt for a long time and thus distribute the process of payment. Nevertheless, it must be paid and doubtless chiefly in goods. On the other hand, we need a great many of these goods for use in our own industries and as articles of food, but these do not go very far. Is it good sense to prevent the payment of this debt when thus distributed, in the only way it seems possible to pay it? One man, indeed, has gone so far as to suggest that the misfortune of having it paid will be so great as to justify us in forgiving it all, but those of us who do not regard income taxes as delightful luxuries will hardly sympathize with this.

Quite as serious is our necessity of selling abroad to those who owe us so much. I say "our necessity," for it is quite as important that we should sell as it is that others should buy. Our need for disposal of our surplus is perhaps even greater than their need to purchase it. As this is spoken the copper mines of the Country are shut down for lack of their foreign outlet. Oh, but the domestic market is dull. True; but if the domestic market were busy it could take but half the copper we produce and the other half must be sold abroad or not sold at all.

Our cotton is stacked up in masses, unsalable. We can not use it here and it is worse than wasted so long as it goes derelict

with none to buy it. It must be sold abroad if it is sold at all. Unless it is so sold it is not mere figurative speech to say that ruin will stalk throughout our Southern States.

We have wheat to sell which we can not use. Unsold it is not much unlike the gold which Robinson Crusoe found in the ship's cabin. Said he, "Oh, drug, what art thou worth?" So is unsalable wheat to the farmer. We can not consume what we have. Others must buy it or poverty becomes an unpleasant visitor on the farms of the Mississippi Valley.

This is true of oil and the interests of Oklahoma, California, Texas and Pennsylvania wait for the free foreign movement of petroleum products.

Before the war our industries produced so much that our own market could not continuously take their product when running full time. Those same industries have been greatly increased in output during the war. They are very dull now. Two leaders of the largest told me recently they were running on a 40 per cent basis. Some are not running at all. They could run if the foreign markets were free. If they do not have a foreign market they must run slow time all the time or must shut down part of the time.

Under these real circumstances, which are not overstated, it would seem good sense to cultivate customers. They want the goods that we want to sell and arrangements are being made whereby the means of selling will be privately provided. But what about the attitude of those who say "we have a vast surplus to sell which you need to buy, but we intend to act as if it were you that had the vast surplus to sell and we must be prevented from buying"?

We learned, of course, during the war of certain key industries which we did not have and must have—dyestuffs, explosives, optical glass, and others. By all means let us take wisely and thoughtfully the necessary means to have these industries. We dare not be without them. But this whole matter must be considered on the basis of all the facts there are and not merely on a part of them. It is not the United States against the world, but the United States in the world which we have to guide.

Already the mutterings of revolt against some current proposals are heard. I have myself filed with the proper chairman in Washington the protests of the American Chamber of Commerce in Buenos Aires and in Rio de Janeiro against the emergency tariff bill. They are sent on the ground that the measure will seriously injure the sale of American goods in those countries. They ought to know; they are more familiar with the matter than we are and far more familiar with it than those who sit in Congress.

It will relieve the situation if in any such tariff as we find it necessary to adopt, bargaining features are introduced so that we may have something to offer to a business friend, so that we may not say with one hand "keep out of here" and with the other grasp for his business. Anything that introduces the principle of guarded flexibility into tariff enactments must relieve the tension due to what otherwise might be a prohibitory law.

I have not touched upon the question as to whether the economic needs of other countries and a far vision of our own industrial future should lead us to adopt a policy that goes to no extreme, but which though frankly

adapted to our normal self-interest yet considers the rights of others.

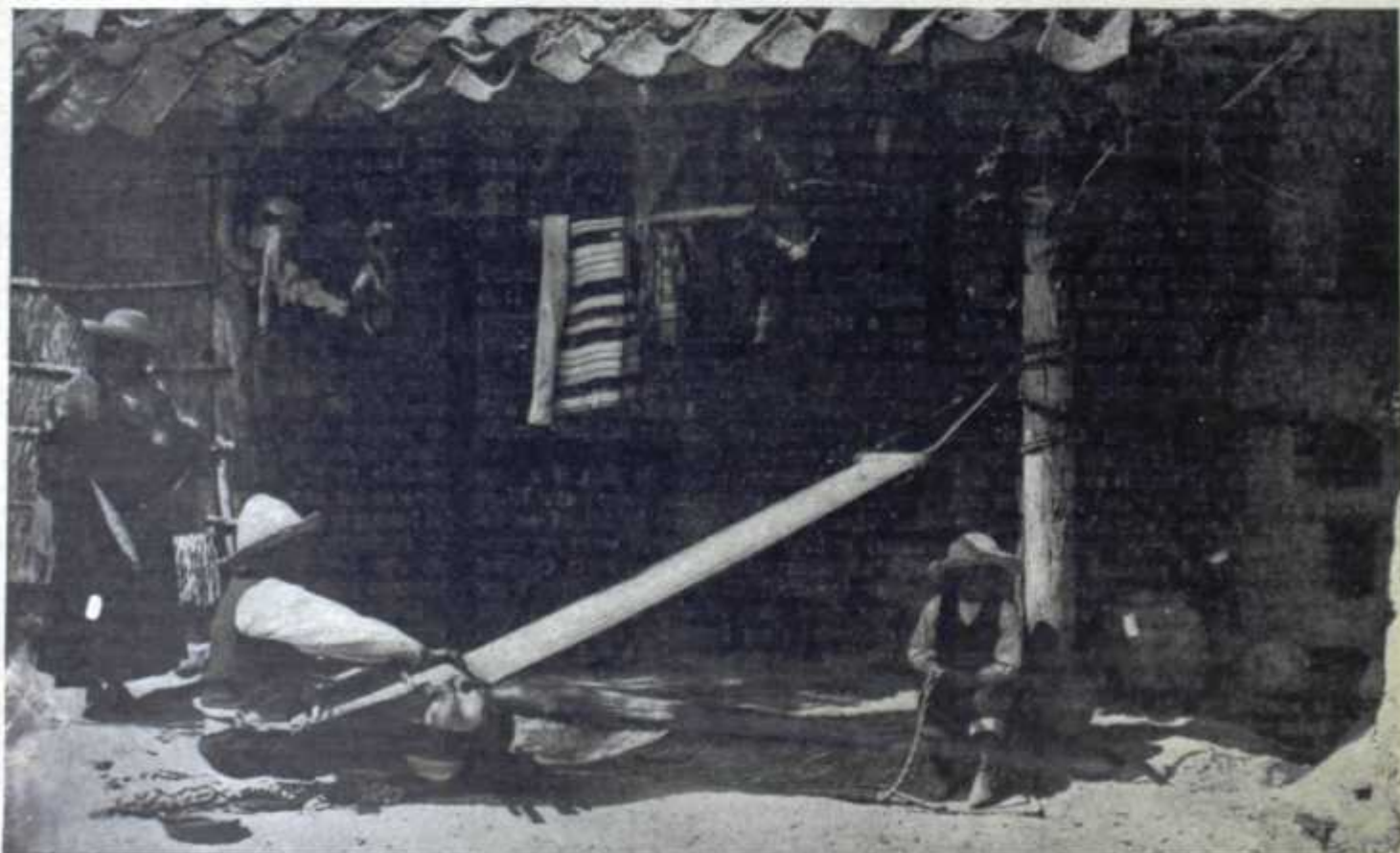
Secretaries' Associations Meet

MEETINGS of the National Association of Commercial Organization Secretaries and of the American Trade Association Executives were held in Atlantic City on April 26, while the Chamber of Commerce of the United States was having its annual meeting.

The Commercial Secretaries, at their "town meeting," heard John Ihlder of the Civic Development Department of the United States Chamber, who told of his own and other new departments of the National Chamber.

J. David Larson, Commissioner of the Chamber of Commerce of Omaha, described the plans for the National School for Commercial Secretaries, an account of which is printed elsewhere in this issue. Other speakers were R. B. Beach, of Chicago; R. H. Faxon, Des Moines; Don E. Mowry, of Madison, Wis.; Harvey T. Hill, of the State Chamber of Illinois; J. E. Northway, Hamilton, Ohio; F. D. E. Babcock, Worcester, Mass.; and W. E. Holmes, Wichita.

One of the matters which the Trade Association Executives discussed at their dinner was the time and place of the next annual meeting. It will be held in October, and Atlanta is one of the places under consideration. Two representatives of the National Chamber spoke; John H. Fahey, who told of the work of the International Chamber of Commerce; and Alvin E. Dodd, Manager of the Department of Domestic Distribution. Another speaker was Dr. Wilson Compton, Manager of the National Lumber Manufacturers' Association.



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Peruvian weaving a poncho. The warp is held taut by the band at his back while he applies the shuttle. The coming generation, represented by the boy in the shadow, promises a better market for manufactured goods; he is wearing shoes while his mother goes

barefoot. The family doesn't bother about the intricacies of foreign trade, but just the same, whether they buy their shoes in the future from Boston or London is very likely to depend on the direction taken by exports of Peruvian copper, rubber, wool, and the like.

Key Industries at Any Cost!

Authorities agree that a tariff is not sufficient protection for our newly built dye plants. Can we afford to take chances on products necessary to our commercial existence?

By JOSEPH H. CHOATE, JR.

General Counsel of the Chemical Foundation

IF WE mean what we say when we use the term, a key industry is a real and positive necessity—not a thing we'd like to have, but a thing we must have. Even if economic relations with other occupations are the only factors which give a particular industry its key character, it is indispensable. If so, the first principle of governmental policy in dealing with it must obviously be certainty. With things that are merely desirable we can perhaps take chances; with things that are necessary we must play safe.

If one method of safeguarding a key industry may fail—even if the danger appear remote—it must be rejected in favor of any other which offers certain success.

The dye industry is so universally deemed to be the master key industry of all that everybody concedes that it ought to be protected and stimulated. The only difference of opinion is as to how this should be done. The natural assumption of those who know little of this subject, is that ordinary tariff duties will do the work.

Those who know it most intimately, including probably a majority of our dye consumers, believe that nothing short of complete exclusion, for a time, of competing German dyestuffs, can possibly save the industry. The British and French governments have reached this conclusion, and have established dye embargoes. No other practical remedy has been anywhere suggested. The choice lies between the two—between mere duties and a temporary selective embargo. The latter is a certain remedy. The former undeniably may fail. If, then, the dye industry is as important as it is said to be—a real necessity—the question of what our policy should be decides itself. We must not palter with vital issues.

It is not honest competition which we have to expect. The German trust has never played fair and it is safe to presume that it never will. It has practiced every form of commercial corruption and carried into business warfare a full measure of its government's frightfulness.

This unscrupulous antagonist is as strong as it is ruthless. Four or five times as big as our present industry to start with, it has profited immensely by the war. It, of course, came through with plant intact. It has doubled and again increased its capital in the last few years. It has added largely to its plant since the Armistice. For example, one of its great components, the Badische Company, which had 11,000 employees before the war, had 16,000 at the time of the Armistice, 23,000 not much later, and on March 15, 1921, had 30,000.

When I was in Paris in December last the trust was complaining to the Reparations Commission that the commission's failure to withdraw all the reparation dyes was seriously clogging the dye warehouses and interfering with the trust's business. The trust is, therefore, in a position to do its worst.

Strong as the trust is, however, its present position is in one sense desperate. Its works were designed and organized to supply the

AN ANALYSIS of the German Government's expenditures would indicate, roughly, that of a total budget in excess of 80,000,000,000 marks, somewhere from 50,000,000,000 to 60,000,000,000 marks is spent in indirect subsidies to the cost of production. The German Government imports a large amount of food supplies and resells them at a loss to the population. It pays a large proportion of the operating expenses of the railways.

Likewise many public utilities are running at a great loss and the deficit is being paid by municipalities. All this amounts to a cumulative subsidizing of production.—*Secretary Hoover to the Committee on Ways and Means.*

world, and as such cannot be economically operated for a much smaller production. The Germans have, however, lost two of their most important markets—those of Great Britain and France—out of both of which they have been shut by the embargo legislation. No great markets remain to them except those of China and of the United States, and if they lose ours permanently they must reorganize, turn half their facilities to the manufacture of other goods, and cease to be the most lucrative industry of the German Empire. Accordingly they must and will take every measure to recover our market.

The task before them if they were opposed by nothing but a tariff would be extremely simple. To destroy our industry they would merely have to adopt the method of selective attack and invest in the process a few hundred thousand dollars. It is a fact which must be obvious if you think about it that no one of our dye makers really makes money on any large number of the different products which he makes. The business of each American manufacturer is dependent on a half dozen or so of products which he makes better than anybody else or cheaper than anybody else and on which his profits are large. Which these dyes are the Germans know as well as any one. To put us out of business it is not necessary for them to bring into the country the whole of a year's consumption of all our dyes; yet even this could be done in three ship loads.

It is only necessary to single out the profitable dyes of one manufacturer after the other and import enough for a year's supply or so of the profitable products. Exact figures cannot of course be given but I shall be surprised if it would require above 500,000 pounds thus selected to put out of business the largest of our American makers. If these 500,000 pounds were subject to a duty of 500 per cent on German prices the campaign would not cost the Germans above a million dollars. Would anyone hesitate to invest such a sum in the rescue of an industry which represents an investment of \$500,000,000 in gold? The question is foolish and answers itself. The undeniable fact is that the results of such se-

lective attack are so certain that our manufacturers would not wait for it to be applied. With the possible exception of two or three of the strongest, all would leave the field as soon as it was definitely made to appear that they were to have no protection more effective than the tariff.

Now what objection is there to the temporary selective embargo under which every consumer can freely import from Germany or anywhere else subject merely to revenue duties any product which cannot be supplied or perfectly replaced by domestic goods? To the license system, under which special licenses have to be procured before any goods can be imported there are, of course, objections of some weight.

The original Longworth Bill which followed the British measure in this respect was criticized as likely to cause delay and uncertainty to the dye consumer since he could not know beforehand whether his application for a license would be granted or not. The Senate Bill, however, obviated these objections by providing a system under which the tariff commission should determine in advance what substances were properly made here, and thus what could and what could not be imported, so that no licenses would be necessary and delays would not be caused.

To this system, assuming that it would be honestly and skillfully administered, there seems no valid objection. The fear that foreign makers might get better dyes than our makers could obtain and thus secure advantage in the selective embargo system is unfounded. Both the French and the British textile makers have to get licenses before they can import anything, and this compels them to rely mainly upon their domestic dye industry which is not nearly as well developed as ours. Accordingly the selective embargo could not possibly put us at a disadvantage as compared with them. It cannot affect the competition between the German dye consuming industries and ours because if these great German industries can secure any advantage by the exclusive use of German dyes, they will be given that advantage whether we have an embargo system or not. If by confining German dyes to German textile makers, the German government can enable those textile manufacturers to compete successfully with our makers, we shall never get a pound of the German dyes in question.

A selective embargo measure accompanied by such tariff duties as may produce the largest revenue ought to be enacted without a moment's delay. The war left us, through the patriotism and courage of a large number of enterprising American manufacturers, an industry which is an incalculable asset, a veritable necessity. For two years we have argued and debated and filibustered as to whether we should keep that asset or throw it away. The time has come for definite, intelligent action, when all those who can see the problem straight should unite in bringing pressure to bear upon our servants in Washington to compel the adoption of the only possible and efficient protective measure.

Getting Us Off the Dead Center

The task of America in bringing the commercial machinery of the world back to full activity lies in a wise use of her credit in foreign countries

By WILLIS H. BOOTH

Vice-President, Guaranty Trust Company

SO MUCH has been written of the tremendous amount—approximately ten billions of dollars—which our Government loaned to other Governments associated with it in interests during the war, that our vision is in no small degree blinded to the fact that we have been, and will be still further, obliged to be helpful to other nations.

As a matter of fact, there has been loaned through private channels out of the investment funds in this country from 1914 to the present date approximately two billions of dollars, and this is made up of loans to Governments, municipalities, railroads, public utilities, industrials, and loans to the United States' possessions, and comprehends in area affected practically the entire globe. It includes loans of the various characters indicated above to Canada, Mexico, Cuba, Philippine Islands, Porto Rico, Panama, Santo Domingo, Argentine, Bolivia, Brazil, Chile, Peru, Great Britain, France, Germany, Russia, Belgium, Italy, Norway, Sweden, Denmark, Switzerland, China, Japan, and Australia.

We must not forget that we loaned \$113,250,000 of the amounts specified above during the period from January 1 to April 25. These figures are illustrative of the fact that the United States, even without the war, would ultimately have become a great creditor nation. The enormous destruction of wealth and the rapid movement of events which the war entailed, have put this country into a creditor position in an extremely short space of time and before it was fully trained to adjust itself to its new position.

The Delay Not Ours

OUR friends abroad, spurred on by their own necessities, have criticized us for delay in action and have been impatient at the necessarily slow development during this period of adjustment.

That we have not been entirely neglectful of our responsibilities is evidenced by the figures given above, and they in fact tell but a small part of the story. The complete picture would have to comprehend the enormous amount of commercial credits which have been extended in the regular way by financial interests in this country, both during and since the war, and by which the operations of the largest export and import business which the world has ever known, have been reasonably well conducted. We must not be blind to the fact that a tremendous job has already been done and that as fast as education can influence public judgment, this effort will be increased.

We would not be fair to ourselves as a people if we assumed full responsibility for the situation. The fact that the Allies and Germany have been long in settling the question of German indemnity has in itself been the outstanding condition which has made foreign finance throughout the world

MR. BOOTH'S PROGRAM for getting business back to full speed is briefly:

Coöperate, if practical, on non-political basis with the Allies and Germany in settling the indemnity.

Postpone Allies' indebtedness to United States for a period paralleling the indemnity settlements. Further consideration to these indebtednesses can be given when the economic situation throughout the world is clarified.

Adjust carefully and constructively international trade relations so that we may become, as far as it is practicable, a buying and a selling nation.

Perfect machinery for loaning abroad, both on long-term credits and on fixed investments, marketable either direct or through debentures based upon the foreign security.

Educate our people to think internationally.

Establish a permanent national policy under which our flag, standing for the power which comes from fairness and right, shall protect Americans and legitimate American interests wherever dispersed about the globe.

less possible. While our ambition to remain aloof from the reparation negotiation may have been a factor in the delay, it was a relatively minor factor. The great consideration has been for the Allies to agree among themselves on a basis of settlement which they could submit to Germany in no uncertain terms, and this, too, has taken much discussion and consequently much time.

Out of all the involved discussion has come a distinct realization that regardless of what amounts were agreed upon, or what the terms of settlement may be, the credit factor in the settlement is of determining importance to the United States. This in turn has brought all parties to appreciate that the final settlement must do adequate justice to the Allies and at the same time place a heavy but possible burden upon the offending and vanquished nations. Otherwise no basis of credit will have been established.

So by natural processes, it becomes very clearly evident that while we must keep ourselves from being involved in world politics, we cannot hold ourselves aloof from the obligations which our creditor position engenders in commerce and finance. Ultimately, we are bound to have a potent voice in the indemnity settlements which at this time give promise of early solution. Then it will be possible to make a trial balance of the world. The debit and credit values can be properly assigned and the financing of the world's necessities will go on along such channels as prudence and safety direct.

The sooner this can be accomplished the better. Taxes and tariffs, immigration, disarmament, and many other considerations, no less than finance, are all factors in the broad picture, but it is my purpose at this time only to touch briefly upon our efforts in foreign

finance to aid in the establishment of the world's economic equilibrium. Our line of activity is perfectly well defined. The decision of our Government not to increase our Government loans to other countries has distinctly clarified the situation.

It is only necessary for us to review our own history to find helpful guidance. One hundred years ago as a struggling nation, we had many of the same problems which the new nations in Europe and throughout the world have today. Blest with Anglo Saxon stability, we were not exposed to violent political disorder. This fact, coupled with our great wealth of natural resources, attracted capital from the creditor nations of the world and the developments of the wealth-producing factors of this country went on apace.

History must repeat itself except with the conditions changed. We must make investments, not so much in the Governments as in the industries throughout the world, in order not only to benefit ourselves and our commerce but that by so doing, the wealth-producing capacity of the world will be increased and the wastes of war replaced.

We are not unmindful of the fact that our own country in its growth is going to have great demand for capital and it is going to be a question of fine discernment as to whether any given amount of capital should be employed at home or abroad. On the wisdom of this discernment will depend the rapidity on which normal conditions are restored.

It means that the American people must become a nation of commercial colonizers as distinct from political colonizers. The willingness of a nation to advance sanely beyond its own borders after the wealth within such borders has been reasonably well determined, marks its ability to progress.

Building a Trade Empire

AMERICA will represent the first real expansion in history not associated with territorial aggrandizement. It will be an interesting movement to study, and as finance is only the concrete evidence of business, our problems of foreign finance represent the problems of this business expansion.

While the very suddenness of the task prevents us from being fully organized at this time, the fact that the forces have been asserting themselves over a considerable period of years finds us not entirely unprepared.

We have profited by the experiences of Europe and have made considerable headway in the establishment of a discount market in this country. Six years ago the suggestion that we undertake to finance foreign trade with dollar credits was regarded as visionary. The use of the English sterling discount market has been so general that it was considered the only available market. However, our discount corporations have been successful. The dollar exchange had been introduced

throughout the world and a discount market established here.

Statement has been authoritatively made that \$4,500,000,000 of acceptances were discounted and distributed in 1920. A considerable percentage of this amount was attracted from various sections of the country and placed at the disposal of American business for the financing of short-term business operations, domestic, and import, and export. By this method our commercial banking institutions are given power to loan their credit in addition to loaning their money, a privilege exercised for generations by banks in other countries.

In addition to the discount market, the foreign credit corporations, operating under State law but with discount facilities of the Federal Reserve Bank, have been able also materially to increase the available supply of credit for foreign operations. The Government has also, in appreciation of the need, rehabilitated the operations of the War Finance Corporation and additional credit will be extended in that direction.

Credits, Government Guaranteed

OTHER nations were awake to the unprecedented need. The British Investment Trusts, some of which have been in operation for seventy-five to a hundred years, together with the London discount market, have been powerful factors in protecting and furthering Great Britain's interests in foreign lands and yet immediately after the Armistice, in appreciation of the lack of credit facilities, Great Britain put into effect an Act, practically guaranteeing the credit up to 80 per cent of the cost, of export shipments from England.

As a matter of fact, however, the needs of English trade demanded even greater support than the original bill contemplated and an amended bill has just been put into effect which practically guarantees export credits under very limited restriction up to 85 per cent of the invoice price thus putting the great credit of the British Government behind export business.

This problem formed the most important part of the considerations of the Brussels financial conference called last year by the League of Nations and that conference perfected the Ter Meulen plan by which segregated assets now available may, under Government guarantee, be made the basis for credit operations. Under this plan the assets so segregated are lodged in the care of a committee of the League of Nations appointed for the purpose. This committee will determine the value of such assets, whether they be custom receipts or tobacco monopolies, or other evidences of value, and after securing proper control of the assets, issue thereon Ter Meulen bonds in amounts and under conditions and at the rate justified. These bonds will be turned over to the Government and by the Government used for its own purpose or loaned by it to its nationals to be used in the obtaining of credit.

A buyer in Poland, for instance, being known to his Government as responsible, could borrow from the Government enough Ter Meulen bonds to make a satisfactory guarantee to an exporter of cotton in America to warrant the shipment of the cotton desired. Sinking funds for the payment of principal and interest are provided, of course, in the indenture of the bond. When the mill buying the cotton has converted the same into merchandise, sold it and redeemed its obligation to the cotton grower, the grower returns

the Ter Meulen bonds and the transaction is finished, except that the bonds are again available for further credit of the same character.

It is simply another means of taking wealth, not now capable of being so used, for a basis of credit and providing machinery by which such credit may be employed. This plan is now under the supervision of Sir Drummond Fraser, an eminent English financier, and gives promise of practical results.

But our problem is somewhat different. The nature of our Federal Reserve System and its basis of operation draws a definite line between our commercial and our investment funds and while the Federal Reserve System, with its banks, the discount corporation, branches of banks abroad, the Foreign Credit Corporation and the War Finance Corporation are doing their best, the fact remains that the credit now most desired for foreign operations does not lie within their function.

The commercial credit system, therefore, with all of its ramifications has not been able to complete our work and it was necessary to call into being a new type of institution, which would draw its funds, not from the already overtaxed commercial field, but from the investment side of our credit structure. Our efforts to develop such an institution finally found concrete expression in the Edge Bill and in the corporation suggested to be organized under it. The primary purpose of Edge banks will be to take established wealth abroad as a basis for credit which credit will be used in the development of wealth-producing capacity of other peoples and thereby assist in the restoration of the equilibrium which we have in mind. While they will operate under the general direction of the Federal Reserve Bank, they are in fact a super-structure to that plan.

They operate in a field not previously covered, the existence of which was emphasized by the shortage of world credit and respond to the demands of the hour for development of credit of a long term character in a sound way. It is interesting also to note that these

banks organized under it should not, if properly directed, be competitive to the regular banking institutions. They will have their own field and must measure up to it. They may issue debentures to an amount not to exceed ten times their capital and surplus, which must be very widely distributed, and find lodgment in the hands of the small investor throughout the country, thereby drawing their funds from the investment side rather than from the commercial side, which will be at best over-actively employed in short term operations.

Their debentures will have to be competitive both in security and yield with investment offered from other sources both domestic and foreign.

The Edge Bill banks will play a most important and perhaps vital part in the new rôle which America must assume as a nation of commercial colonists. Our people have as yet only a limited experience in foreign investment and the established agencies for the distribution of foreign securities, industrial and otherwise will be very greatly aided by the functioning of the Edge banks. They will furnish the connecting link by which our commercial overseas operations may be properly supported.

Education, One Step

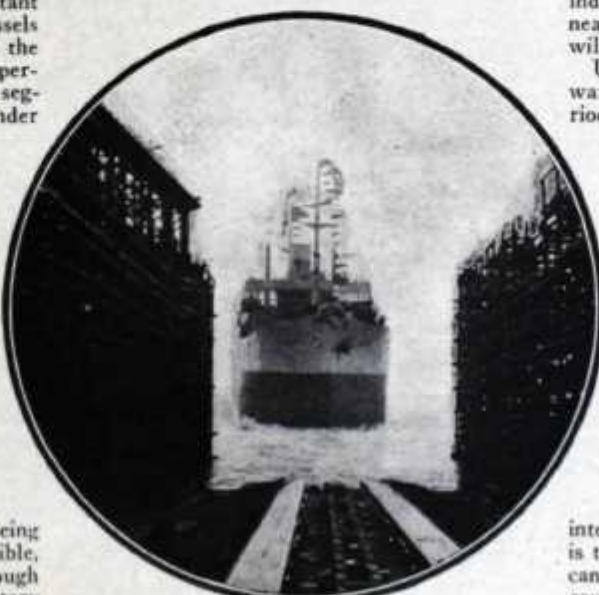
ALL investments of this character abroad, being under the general supervision of the Federal Reserve Board for debenture issuing purposes, it will be possible to sell debentures based upon this collateral and sponsored by the Edge Bill banks with greater ease than it would be possible to sell the security direct. The natural result will be a gradual education of the American investing public in overseas securities and while this education will of necessity be slow, and beset with discouraging reactions, the fact remains first, that it must be done, and second, that under the guidance and direction of responsible financial institutions, it will make much better headway than would otherwise be possible.

Granting that the Edge Bill banks will complete our credit machinery and that the indemnity matters will be settled in the near future, what is the next step and where will it lead us?

Undoubtedly, we will have to postpone the war obligations of our Allies for such a period and to such a rate as will parallel the obligations of Germany to the Allies.

Undoubtedly, also we will have to change a good many of our preconceived economic ideas. Actual relief of the present conditions, even after we have provided credit machinery, can only come through creation of new markets and outlets for the products and the factory. We must be a buying as well as a selling nation.

It cannot be too strongly emphasized that in the final analysis, international business must consist in the exchange directly or indirectly of goods and services for other goods and services with the trade differences settled in either gold or credit. It is only by this interchange that the exchange handicap, which is taking buyers from our American markets, can be overcome. Our dependence on other countries for food stuffs and raw material grows constantly greater. We are justified in preventing dumping but we must draw upon other countries for raw materials. We must obtain manganese from Russia, India and South America, quebracho for our tanneries from Argentina, crude rubber from Brazil and the Straits Settlements, nickel from Canada and New Caledonia, tin from the



two systems can cooperate and credits made by our exporters on the basis of Ter Meulen bonds can be discounted by the Foreign Trade Financing Corporation or other Edge Bill banks.

Their functioning will be supplemental to that of the Federal Reserve System and the

Malay Straits and Bolivia, raw silk from China and Japan, clothing wools from Australia and Argentina, jute from India, flax from Russia and Belgium, sisal from Yucatan.

From the strictly financial point of view, when we consider the debts owed by foreign countries to the United States, debts which are so great as to put the possibility of payment in gold entirely out of the question, it is a matter of concern that we should seriously propose to erect additional heavy barriers against payment in goods. Our farmers and cotton growers should remember that only as the world's purchasing power is restored will it be able to buy our surpluses

and that there is more to be lost from the retardation of the world's purchasing power than is to be gained by tariff differentials.

It would be unwise even to suggest that our new role as commercial colonizers, even with our commercial machinery perfected, can be rapidly accomplished. No changes of such a fundamental character can be done safely except with greatest care. It is going to require primarily, not only an appreciation of, but an acceptance of, responsibilities which our new position will bring to us. It is, therefore, a matter of no small gratification that our President has recently voiced a policy which in operation would give proper protec-

tion to the rights of American business abroad.

Each year, our international interests are destined to acquire a more sincere appreciation on the part of our people and a campaign of public education must be predicted upon such appreciation. Above all things, our campaign of education, stripped of high-flown theories, must become very practical. It must be able to demonstrate to the layman that our foreign operations are the basis of our domestic prosperity. It must be able to show that the best customers we can get to support such foreign operations are the American foreign enterprises operating under the sympathetic protection of our own flag.

Profiteers on Economic Sins

The most dangerous supporter of state insurance is the business man who joins without protest in the raid on the taxpayers' money and who fails to see the threat to himself

By EDSON S. LOTT

President, United States Casualty Company

WITH the advent, in 1911, of workmen's compensation in this country, state-fund insurance came on us with a rush, helped by an insidious German propaganda that prepared the way. The people of this country were caught napping. Particularly so were those in the insurance business.

In that very first year two States—Ohio and Washington—adopted monopolistic or near-monopolistic state-fund compensation insurance, followed by West Virginia, Nevada and Oregon in 1913 and by Wyoming in 1915.

Since then our lines have held firm against state monopoly, save in North Dakota, where the Non-Partisan League broke through in 1919.

But the attack is still on. Fierce battles to save the business from political manipulation have raged in Arizona, Virginia, Montana, Missouri, Minnesota, and New Jersey during the last eighteen months; and there were pending in the late Congress measures for the compulsory insurance of compensation to seamen and to private employees in the District of Columbia in national insurance funds, which of necessity would be operated under the guiding principle of political expediency.

Moreover, in ten other States—including the great industrial commonwealths of New York and Pennsylvania—the State has broken into the field of private enterprise to the extent of providing compensation insurance in competition with insurance companies.

In this ten years' struggle all the arguments for and against monopolistic state-fund compensation insurance and competitive state-fund compensation insurance have been thoroughly thrashed out; and all the arguments in favor of these innovations have been met by reason or refuted by experience.

But the appeal to the passions still remains.

Why that appeal is effective has been well expressed by Arthur I. Vorys, for many years Superintendent of Insurance of Ohio, in the following words:

Suppose some one, professing to represent the "plain people," assembled the figures showing what a sewing machine costs for labor and material, and then the figures showing what the purchaser pays for the machine. If the campaign were well organized, and aimed only against sewing machines, and the figures well advertised, you know it would be easy to get the State to engage in the business of making sewing machines.

It would not be well for any one engaged in such propaganda to start against more than one enterprise. Such things succeed because none of us takes any particular interest in legislation not aimed at our own affairs.

The sewing machine manufacturers and their agents would find little sympathy and no help from other people, they would be denounced by the propagandists just as the liability insurance companies and their agents were denounced. All other people, taking but a passing interest in the matter and finding no campaign against themselves, would only learn to repeat from one to the other that the conduct of sewing machine manufacturers and agents has been infamous. It would be supported by statistics showing the outrageous profit-taking of the middleman, and all the things could be said about it that have been said about liability insurance companies and their agents.

Can the sensible people of America be made to realize that the function of the Government is to regulate, and never to engage in business, and that whenever it attempts to engage in business, it violates a vital, fundamental principle of this republic?

The attack on the business of compensation insurance is only the first step in a movement likely to result in the confiscation of all kinds of insurance and of all other businesses operated for pecuniary gain, and finally the erection of a communistic government.

Already fire and life insurance operated by the state have been reached in Wisconsin; and hail insurance in North Dakota, South Dakota, Nebraska, Montana and Oklahoma.

Some years ago certain proposed constitutional amendments to permit Wisconsin to do all classes of insurance and pledge the credit of the state to guarantee its insurance contracts were defeated after a stubborn fight.

For five years the working people have been seriously threatened with compulsory state health insurance.

State operation of railroads and coal mines has been barely avoided. The agitation still continues.

State operation of banks is still going on—or going under.

Is it not time that Americans, who believe that the only business of government is to govern, wake up, get together and boldly present a united front against our common enemy?

In Germany the government is seeking to bring about private operation of its state-owned railroads, to secure economy and efficiency; but in this country the state-socialists are still uttering their old cries about the

waste and inefficiency of the private management of railroads.

Similarly, as to state-fund insurance in this country, it is being loudly proclaimed, in propaganda, to be the cheapest and best. But in practice (with one possible temporary exception, serving merely to prove the rule), every venture by the state into this field of private enterprise has proved to be a failure.

To refer to only a few examples:

The Ohio state-fund insurance monopoly, by its bad service and unfair premium rating, has very recently driven employers to petition (by a vote of approximately 3,000 against 141) for its abolishment. Yet, in propaganda, it is still being cited as perfection.

The Washington state-fund insurance monopoly has been severely scored by its official examiners; yet, by its partisans, it is still pictured as crowned with a halo of sanctity.

The West Virginia state-fund (which originally was nothing more nor less than a scheme to insure coal mine operators at the expense of other industries) promptly "went broke"; yet, as reorganized and despite its notoriously bad reputation with its Virginia neighbors, it is still pointed to with pride by its partisans.

The operations of the New York competitive state-fund were found, upon official investigation, to have been very bad; yet, instead of being abolished, it merely has been turned around behind a smoke screen of vilification of its competitors and, in spite of its bad record, is reproclaimed as an exemplar of the advantages of the state as a business agency.

Manifestly, these examples show that adverse experience does not check the movement for state exploitation, and that its inspiration is envy of the success of private business—the compelling urge of the state-socialist—and greed for the spoils that so often go with governmental operations.

The state-socialist has started with compensation insurance, but he purposes to end by having the state conduct all business, all commerce and all industry.

Who are the enemies? Who are the people who have been fomenting, guiding and aiding this attack upon private enterprise?

All communists and socialists, of course.

All spoilsmen, job-hunters and social parasites, naturally.

All professional reformers and political demagogues looking for a campaign battle cry, unreservedly.

Political pie-makers, pie-cutters and pie-eaters—all of them.

A lot of honest folks also.

And bureaucrats, generally.

But, as to bureaucrats, let me pause and discriminate. Those State Insurance Departments not required to conduct the business of insurance have stood, like warning beacons, against the evils and dangers that characterize state insurance—with nothing to gain other than the satisfaction of performing a public duty. The attitude of many of the State Boards or Commissions that administer the compensation law has, likewise, been entirely fair.

But in some States, because of an adroit combination of the administration of state-fund insurance with the administration of the compensation law, the Board or Commission that administers such law has been identified with the state insurance venture. As a result, some of these Boards and Commissions, instead of assuming a judicial attitude, condemning and correcting the faults of all impartially, and seeking to develop sound and efficient indemnity to conform to the purposes of the compensation law, have developed into partisan propagandists of the state insurance they sell, and have administered the compensation law with the purpose of building up their own insurance business and driving out or keeping out all competitors.

In a number of States also organized labor has been in the front rank in the drive for state insurance.

But I believe that labor is not a true enemy—at least not a confirmed enemy.

Now, and last, I come to employers—who, like insurance companies, are engaged in business for profit.

What help did they give to their comrades in the insurance business in opposing the opening rush of the forces of state-socialism?

At first, generally—but with quite a number of creditable exceptions—they helped not at all. Rather, they looked on with indifference, thinking it was our funeral, not theirs. May I suggest that, if they attend our funeral, on their way home they purchase burial lots for themselves?

I do not complain of that past mistake. Now, when they are beginning to feel what state insurance means to them and that it is only the first step in a broad movement against all private business, they are coming to our support. But there is yet weakness in the ranks of all private enterprise, of which I do complain.

In the "Plumb Plan" it was proposed that the railroads be taken over by the Government and operated for the benefit of a single class (in that case the employees), the taxpayers at large to make good any loss. That proposal was drowned in the indignant protest of the people.

If, now, it should be similarly proposed that the State go into the print-paper business, bribing the consumers of print-paper to support the scheme by selling them the paper at 20 per cent below cost, the taxpayers to supply the deficiency, what would you think of those private consumers of print-paper who would jump for the bribe, and aid, abet and encourage the deal?

Form your judgment of them, and then apply that judgment to those employers, engaged in private enterprise for profit, who have welcomed the bribe of subsidized state-fund insurance, below cost, at the expense of the taxpayers and to the destruction of private insurance. Are they not the worst enemies of

private enterprise—thoughtless mercenaries, willing to be bought up by the state-socialists?

When the evil day comes upon them, these supporters of state interference with business will as foolishly cry for mercy as did the young

man, of whom we have all heard, who killed his father and mother with an axe, and who pleaded with the judge, after he had been convicted of murder, to be merciful with him because he was an orphan.

The Attack on Trade Barriers

New world practices will be set forth as part of the American group program at the International Chamber of Commerce conference

A SURVEY of world communications will be one American contribution to the first conference of the International Chamber of Commerce, to be held in London during the week of June 27. Another contribution will be a résumé of the world's financial condition, a trial balance sheet based upon the credit situation when the question of Germany's reparations has been determined, assuming that this will have been settled in time. And still another will be a comprehensive report on American railroad practice in making international shipments to Canada and Mexico.

Transportation and finance are recognized as the foremost problems in the restoration of the world's commerce, which is to be the main theme at the London meeting. Walker D. Hines, former director general of railroads in the United States, is at the head of the international group Committee on Transportation and Communication; and Willis H. Booth is chairman of the Committee on Finance for the American Committee of the International Chamber.

At the Atlantic City convention of the Chamber of Commerce of the United States the American Committee met to discuss its part in the London conference. A. C. Bedford, chairman, presided. At the instance of the Committee on Finance, a resolution, drawn by Fred I. Kent, approving reciprocal privileges for foreign banks, and providing for the study of State and National legislation in the United States bearing on the subject, was adopted. Mr. Booth also presented a resolution to obtain an expression of American banking opinion of the Ter Meulen plan for the extension of long-term foreign credits. The committee had also adopted a resolution looking forward to the presentation at the London meeting of a résumé of the financial condition of the world. Mr. Booth recommended the appointment of a committee of five to operate for the Finance Committee, in helping the chairman of the Finance Group, Walter Leaf, prepare the group program for the London conference. The actions suggested were approved.

S. N. Felton explained that the Land Transportation Committee had summarized the situation as regarded frontiers between the United States, Canada, and Mexico, and the operation of the bonding system for shipments when through documents were not procurable. The through bills of lading now in use between these countries, it was suggested, might be made the basis of a uniform international bill. International agreement upon the meaning of commercial terms was urged.

As to conditions at ports, the committee suggested the establishment of port terminal zones under joint supervision of the railroad and shipping interests. The experience of the United States in running railroad ferries from Key West to Havana and in Chesapeake Bay, Mr. Felton suggested, might be of service in studying means of avoiding unnecessary handling of freight elsewhere. The committee decided that motor lorries as an

alternative to rail transportation had not reached such development as to make their discussion necessary at the conference.

Mr. Felton's committee, like several others, recommended the speedy return of all countries to a peace status in regard to passports and other war measures which now impede the resumption of normal business.

Mr. Felton said that his committee had considered one or two matters not included in a memorandum Mr. Hines had sent. For example, the establishment of an Equipment Association under the guidance of American bankers and the fiscal heads of the Government which would be in a position to make, say, 75 per cent advance for the purchase of transportation equipment requested by foreign interests. The first payment should be made by the railroad concerned and the balance guaranteed by the government interested; also a Railroad and Development Association to encourage the creation of new transportation facilities. The committee also proposed a world-wide survey of railroad conditions and the creation of commissions to study each great transportation district, and this was approved.

E. J. Cornish presented an informal report for the Raw Materials Committee, urging complete freedom of circulation of raw materials with all countries with which the United States is at peace.

E. A. Filene, for the Committee on Distribution, also urged unimpeded movement of goods. He emphasized the importance of maintaining equal business opportunities in any country for the citizens of other nations; the removal of regulations falling under the category of unfair competition; the simplification or removal of existing passport restrictions; greater freedom regarding the admission of commercial samples, with the right to sell them upon payment of duty; and the reduction of embargoes and export duties to a minimum, with equality in this matter among various nations.

Lewis B. Stillwell made a preliminary report for the Committee on Port Facilities.

Col. John J. Carty, for the Committee on Communications, stated the belief of that committee that it could prove to be of the greatest usefulness in the preparation, in time for the London meeting, of a survey of the world communication situation. All the great telegraphic and cable interests in the United States have agreed to cooperate in the preparation of this report.

Colonel Carty proposed a resolution leaving to the discretion of Mr. Hines the consideration of the following questions:

The question of transportation taxation which, in some countries, seems unnecessarily burdensome and are certainly detrimental to world commerce; the urging of a liberal policy on the part of Governments for increased facilities for international trade, specifically regarding communications; the cooperation of the International Chamber of Commerce in the success of the Ninth Postal Congress to be held at Stockholm, particularly its interest in the movement for lower and uniform postal rates, and for the uniformity of customs procedure for parcels post.

The Human Side of Business

Here are some of the traits and failings of that interesting animal, man; trivial as they seem, they are often the secrets of successful enterprise

By FRED C. KELLY

A NEW YORK retail establishment had a credit man who was regarded as the Very Best. He took his firm through an entire year without one bad account. Not a single worthless check did he O. K. in a twelvemonth; not one credit customer accepted by him failed to pay promptly. The credit man had a perfect score.

And so at the end of the year his employers fired him.

Why? Because he wasn't worth his desk space. Because he deserved to be fired. He was so conservative and carried Safety First to such extremes that he cost his firm thousands of dollars. He accepted only those accounts which were so obviously good that no skill whatever was required in recognizing them as safe. But he turned down hundreds of others, almost equally desirable, simply because he didn't know how to find out whether they were good or bad. All he really accomplished a child could have done. It is not difficult to find out that which everybody knows. The trick is to flush out and make capital of facts not visible to the naked eye.

An investigation disclosed that thoroughly honest, reliable buyers, refused credit by this man, had spent something like \$250,000 in other stores.

No wonder the credit man got fired!

Nothing is so profitable to a salesman as an appearance of vigorous good health. For health suggests harmony and prosperity. When all appears to be well with the salesman, one is likely to assume that this may be partly due to the merit of the goods he sells.



I used to know a girl who had worked for an advertising agency and learned to apply advertising principles to dress. She had red hair; and she rightly regarded this as her greatest charm. Instead of wearing her hair rather fluffily, according to the current mode, she wore it combed down rather severely so that its color would be all the more noticeable. And her dresses were always plain and free from frills and fripperies which might distract attention from her hair.

"I learned in advertising," she explained, "that the one outstanding best feature you have to offer is the thing that should be emphasized day after day."

Many advertisements do more harm than good—simply because the impression they seek to make is extravagant or silly. A certain cigaret manufacturer would almost have it appear that the most important factor having to do with one's success in life is selecting the right brand of cigarets. If you buy

the kind bearing his label all is well. You will have riches and good clothes and a life of luxurious ease before entrancing fire-places in sumptuously upholstered chairs. Men of achievement, according to the pictures, not only smoke cigarets, in hours of work and hours of ease, but they will accept nothing but this one kind. Every time I see one of these advertisements I have a notion to become a cigaret fiend, just for the satisfaction of not smoking this particular brand.

For some time I have been asking big successful business men what they read. And the astonishing thing is that, aside from the daily papers, stock reports and trade journals, comparatively few of them read anything. When it comes to psychology, philosophy, sociology or any kind of literature which stirs the imagination, the average business man isn't in the picture. And yet a half hour a night, after crawling into bed, would in a few weeks make a person appear to be an authority on almost any subject. I say one would appear to be an authority—by comparison with others. If you know anything at all about a subject, aside from the most current events, you know so much more about it than the average man does, that one might think you had devoted your life to it.

A bond salesman told me recently that he had an industrial security so gilt-edged that I could lay it away and forget about it. He was wrong. There isn't a security on earth that one can afford to forget about. Many great enterprises cease to be profitable, not because of mismanagement, or accident, but simply owing to the onward march of progress.

At one time there was no more sound investment in this country than the canals. Then the railroads were developed to a point where the canals were eliminated. The investor who kept his canal stock until now, because it was gilt-edged when he bought it, would be in a sad plight. Likewise there are interurban railways that have been going backward, year by year, because they were capitalized before the days of automobiles. The organizers figured not only on the traffic then available but on an increase each year. Those who might have made up this increase now go back and forth via their own cars.

And what of those who owned stock in a brewery, distillery, or buggy manufacturing plant? Or express company stock before parcel post was contemplated? Gas plants have become unprofitable in certain localities because of the development of electricity. And it is even conceivable that railroads may eventually be reduced to a fraction of their original value—by progress in aeronautics.

So long as human progress enters into the general scheme of things no one should invest in any enterprise under the sun and then forget about it.

When we see a man, who has always worn a plain black necktie, suddenly appear in a blue necktie, we are inclined to feel annoyed.

Because, if he starts wearing a blue necktie, there is no knowing when how soon he may have a bright red or a purple one. And then he may desire a different kind of clothes altogether. If so, his next move may be to change his occupation. Then he or some of his associates may want our job.

The reason a rich man is never satisfied with the size of his fortune is not necessarily because he has acquired a kind of hog instinct, but rather because his knowledge of affairs and his breadth of vision have grown until he sees bigger and bigger things that he wishes to do; and his ambition to accomplish is always a few leaps ahead of his capital. The richest men in the world are usually the heaviest borrowers, because they are in a position to see the most to be done. As their business abilities develop, it takes larger achievements to satisfy them. Hence any man setting out to get rich might as well recognize, at the beginning, that from the very nature of things, he can never hope to feel that he has enough.



Business men, like the rest of us, are slow to take good advice. We can always make ourselves believe the other fellow is wrong if we don't agree with him, even though he is more in a position to know the facts. The man who snores never really believes the man who tried to sleep in the same room with him and heard him snore and tells him about it. He thinks the account of the snore must be greatly exaggerated—simply because he doesn't want to believe he snores.

In a poorly managed boarding-house, the landlady runs out of potatoes, but may have cauliflower to throw away, because she fails to take into accurate consideration what kind of food her patrons are going to want. But in a well-conducted restaurant the chef knows with astonishing precision just how much of each article to prepare, so that nothing is wasted.

Things don't always happen the way one might expect.

I heard of a soft drink manufacturer who was put out of business by prohibition. In the old days he sold thousands of cases of his harmless drink to saloons—where there was always an incidental demand for non-intoxicating beverages. Now there are no saloons, and this manufacturer hasn't been able to sell enough elsewhere to make up the difference. For he has never had to face such keen competition.

What Wars Do to Prices

A study of the effects of the last conflict considered in the light of two great social upheavals of the nineteenth century; also a look at the decline ahead

By LEONARD P. AYRES

Vice-President, The Cleveland Trust Company

THE CHANGES in prices that are of the most interest to all of us from day to day, are the changes in the cost of living. Let us adopt the device the Government uses, and say that a workingman and his family practically consist of a man, his wife and three children. We will assume that at the beginning of the recent war that man and his family were earning \$1,000 and spending it.

A certain amount of it goes for rent, and almost an equal amount for clothing, and something more than those two combined for food. The other amounts are not so large, and are covered by the term "miscellaneous."

By the end of 1915, that thousand dollars' worth cost them materially more. By the end of 1916 it was no longer \$1,000, but perhaps \$1,200. In 1917, when we got into the war, it rose to above \$1,400. By the end of 1918, when the war came to an end, those same things cost nearly \$1,700. And then people said "the war is coming to an end, peace will follow," because the extraordinary demand for this great production would now have an end.

In other countries, and here, peace did follow for a little while but after a few months things started up again, very fast and very far, so that by the end of 1919 what cost \$1,000 to begin with cost \$1,800, and last July \$2,050. Then it has been coming down every month since until March's record was \$1,680.

If we trace the course of wholesale and retail prices from a starting point of 100 in 1915, we shall find that in 1916, when the war was well under way, the wholesale line had gone up to 150. In 1917, when we entered the war, it had gone up to about 180 and then ran along and came down a bit, and up again, and at the end of the war was 200.

What the Armistice Didn't Do

YOU will remember the Armistice was in November. Along in September that price stopped rising. It began to go down and went down until February or March of 1919, and then it came up again, hesitated a bit, and then went on up until the great rise in the last few months of 1919 and 1920, until last May and June it reached the peak of 272. Then it turned, and with rapidity that has never been equalled in American economic history it fell, until by the middle of April, it was down to 162.

Meanwhile, what happened to retail prices? The retail line was 125, while the wholesale was going to 150. Then it went on up to 150, and at the end of the war about 180, off a little, up again, until it reached 215 last July, and came down to 169 last month.

There has been a great deal of complaint because retail prices have not kept pace with wholesale prices. There has been legislation introduced to make them, but if the men who were doing those things really understood the principle behind they would know that the retail prices never fall as rapidly or at the same time as wholesale.

We can carry that further. We can say the change will come first in wholesale prices, second in retail prices, third in wages, and fourth in rent.

While these things were happening in this country, it would be well for us to know what was happening abroad. Let us consider what went on in four great nations of the world: Italy, France, England, and the United States. Start them all off in 1914 at 100, and you will find them rising rapidly in 1915 and 1916 and 1917, and until the end of the war, in 1918. About that time the Italian price was very high, the French high, but not so high, the English somewhat above ours, and the lowest one of all, at about the 200 mark, is the United States.

The end of the war came, and prices fell, in Italy sharply and quickly, a long way; in France, rapidly, but not so rapidly; somewhat in England, somewhat in the United States. All over the world men said: "The war has come to an end. No more shall we have these extraordinary demands upon our agriculture and our industries. The time has come when prices are going back to normal." And all over the world for a while they did start down, and then it was discovered there were in the markets of the world empty shelves, and that people had not been able to get the things they had been accustomed to, things they had done without for reasons of patriotism, and the necessity for that no longer existed. A great demand sprang up, production was increased and every effort was made to bring about the production of more of these goods.

Prices rose, and they rose with astounding rapidity, until last year they got up to the peak. Then they dropped down. There had been a good deal of speculation, and people were making money in the silk industry, for example, at a rate they never dreamed of before as possible. Suddenly the market went back. People didn't stop to analyze that. They didn't know what had happened.

Then people stopped buying, prices fell, and around the world the same thing happened. Just as in 1918 the price rise traveled around the world from country to country, spending two or three weeks in its course from one international boundary to the next, in 1919 the falling price traveled around the world, not simultaneously, but a little later in one country than in another, and, oddly enough, going in the other direction from that in which the rise traveled, and in the other direction also from that in which the speculation took place. Prices went up around the world in one direction, and started down in another direction.

In Italy and France, as prices started down, the business men who had big inventories on hand began to complain to their governments. They said: "We must again have easier credits; we must again have subsidies," which in those countries took the form, for example, of permission to buy wheat at less than what it cost.

And very much the same sort of complaint was made here. Some men said a year

ago in November, "it will not do for the Federal Reserve Bank to change its rediscount rate, for we must have easier credit." Over there the Governments responded by giving that easier credit, and prices started right up again, as they would have turned and started up again here had the Government made that possible.

If those prices in France and Italy were going to keep on going up as prices in England and the United States were coming down, we were, I then thought, due for the most serious economic trouble we have yet seen, because you cannot long have things moving in opposite directions in large parts of the economic world. They realized that in those countries and began to tighten up on their credit facilities, and prices turned around and came on down.

From Napoleon to Foch

LET us look at a record of wholesale prices in the United States for 110 years, so as to see what the lessons of the past might be in this respect. In 1810 the world was in a great world war, the Napoleonic wars, and shortly thereafter, two years later, we entered it. In 1810 prices were high in America. They were about \$170 for those same things that six or seven years before we could have purchased in this country for \$100.

We went into the war with England, and those prices suddenly rose until they reached \$247. The European war came to an end after Waterloo, and down the prices came with very great rapidity, and stopped in 1816.

In 1816 there was no summer in this country. Snow fell every month of the year. Crops were an absolute failure. The prices stopped falling, but as soon as there was another harvest they went on down, and we can follow them here for fifteen years.

Americans were dissatisfied, and they elected Andrew Jackson President in a campaign of dissatisfaction. He destroyed the United States bank and introduced paper currency, that is, inflated currency. Prices went up. People saw that was foolish. They had a panic, and they came down again. That carries us into about 1843 or 1844.

Then we went to war with Mexico. The prices came up, and the war was over and they came down. Then gold was discovered in California, and shortly thereafter in Australia. Up went the prices again, too fast. We had another panic in 1859.

In 1860 and 1861 the Civil War began, and prices shot up from about the 100 level to 237. When the war was over down they came once more. We passed a law to resume gold payments, and had a little check up there. Prices came up, and down they went again in 1879, when gold payments were really resumed. They continued to go down until 1895 or 1896 when they were down to 67, the lowest record in all American history. So they only cost two-thirds as much as they did just before the war.

Then they turned and started up again, and we have a little jump that represents the Spanish War, and down along to that

price of 100 in 1914. Then the great war came, and prices shot up to 244.

There we have the record of wholesale prices for 110 years. That is not the first time that has happened. It is the third time. What happened after the two previous times is interestingly similar. The prices went down after the war for thirty years, and came up for twenty years, and went down for thirty years, and came up for twenty years. Roughly speaking, that is what happened.

In a long era of falling prices, if you have a payment to make each year, let us say on a mortgage, it is a little harder to make every year because it represents each year more commodities.

In a long era of rising prices just the contrary is true. The rents are easier to pay. The taxes are easier to meet. The mortgage payment does not require so much real goods to make it with. It is easier to pay.

In the last few years you have not heard anybody talk about a bloated bondholder. If you owned bonds, every year you could buy a little less and a little less with the income, and so that phrase has largely gone out of public use.

But another phrase came up, again without

any analogy on the part of the people who used it, but they have come to talk about the "captains of industry," because during that period it was the industrial man that made the big money. Of course, if you buy bonds you in reality buy dollars in the future, but if you buy a share of stock in an industrial enterprise you buy commodities in the future, and whether you are fortunate in owning bonds or stock depends on whether it is the dollars or the commodities that are going to grow up in value.

What is going to happen? I don't know, no one man knows, but it seems to me that for some time to come, and I would be so bold as to say for at least ten years to come, these prices are coming down; for one reason, because they are so high, and it is easy to go down when you are up; for another reason, because the producing and consuming powers of the world are enormously unequal; for another reason because gold is no longer being produced in such amount in the world as it was. The rapid increase in the production of gold, that has been going on for thirty years, stopped before the war began, between 1910 and 1912, and during recent years the amount of annual produc-

tion has been smaller and smaller every year.

But there is another reason, and that is that prices abroad are largely reflections of the bad currency over there and as these countries begin to get stronger, they are going to rehabilitate that currency, and to do it they have got to get gold behind them.

Where are they going to get that gold? In the main, they are going to get it here, because we have most of the currency gold in the world, or it is where we may or can get it. How are they going to get it? The only way that gold can be gotten internationally is by trade, and one by one those nations, as they get stronger, are going to manufacture their commodities and ship them to us, and sell them here at a lower price than we can meet, and take away some of our gold, in order to rehabilitate those currencies. Every time that is attempted successfully our own prices will fall a little more, and a little more.

I think for the next two years those American business men are going to succeed that know how carefully to figure their cost in estimating their profit, and to find out what the real elements are that enter into a product of their business.

Farewell to One-Way Trade!

We have built up in America a manufacturing system with a fifty billion dollar output; that is too much for us to consume without help, and there is just one answer—

By W. L. SAUNDERS

Chairman of the Board, Ingersoll-Rand Company

THERE are some things which the war has not changed. About these things there is, or should be, no difference of opinion. The laws of nature are the same the world over. Water still runs down hill, air tends to fill a vacuum. It is equally true that the fundamental laws of economics and trade are not changed. Let us then try to agree as to these laws, for much of the difficulty with us is due to a lack of understanding and appreciation of basic underlying conditions.

Nations today are so interrelated that there is no such thing as one being in a state of great industrial prosperity while the others are in a period of depression.

This applies with special significance to industrial nations like the United States. In morals there may be wide differences, but materially all peoples are interrelated. When business is good in America, it is good in England and on the continent. The diagrams showing the rise and fall of prices, expansion of credit, bank loans and deposits, money rates and other conditions affecting business, run on almost parallel lines for all industrial countries. They vary in degree only, but the same influences and effects are there. Even such archaic countries as China and India have been affected as we have been, at first beneficially and later adversely, by the War.

Prosperity and employment at good wages are directly dependent upon large consumption of products.

The building of a dozen Panama Canals, if undertaken today, would promptly set the world on its feet by creating a buying power. This is why business boomed and prices and wages went up so rapidly during the War. Nations with ability to buy went into the markets in such volume that the power of buying was greater than of selling.

Today the reverse is true, and therefore everything is falling. We may increase consumption by either reaching out for new markets or by reduction of prices, or both. A tariff tends to restrict markets and to increase prices. President Harding tells us in one breath the immutable truth, that we cannot sell unless we buy; then in the next breath he advocates a tariff, saying that we need it to increase our "buying power." We are not weak in buying power, with all our gold and credit. Our weakness is in selling power, and this is in danger of still further injury through tariff restrictions.

Low prices increase consumption, consumption increases prosperity, prosperity makes for good wages, hence low prices make for prosperity and good wages. This is why high taxes, which act to increase prices, retard prosperity and lower wages. A tax when imposed in the shape of a high tariff has the same effect as an internal revenue, or any other tax; the public always pays it in the end. The way to kill a thing is to tax it. A thing taxed is a thing avoided.

The importance of keeping prices down is conspicuously shown in the Ford motor industry where there is world-wide activity, good wages, and fabulous profits even during hard times. The Woolworth five and ten cent stores are another illustration that low prices, which mean low costs and large consumption, are things to be aimed at. In this matter all tariffs act as bunkers in a golf course. Countries grow in wealth in proportion as they produce and sell at profit the products of the mills, the farms, and the mines. In Russia, China, India, Argentina, and others, the principal wealth-producing industry is agriculture. A great agrarian nation is slow to grow and prosper. The net value of the product in proportion to the labor employed is small when compared with manu-

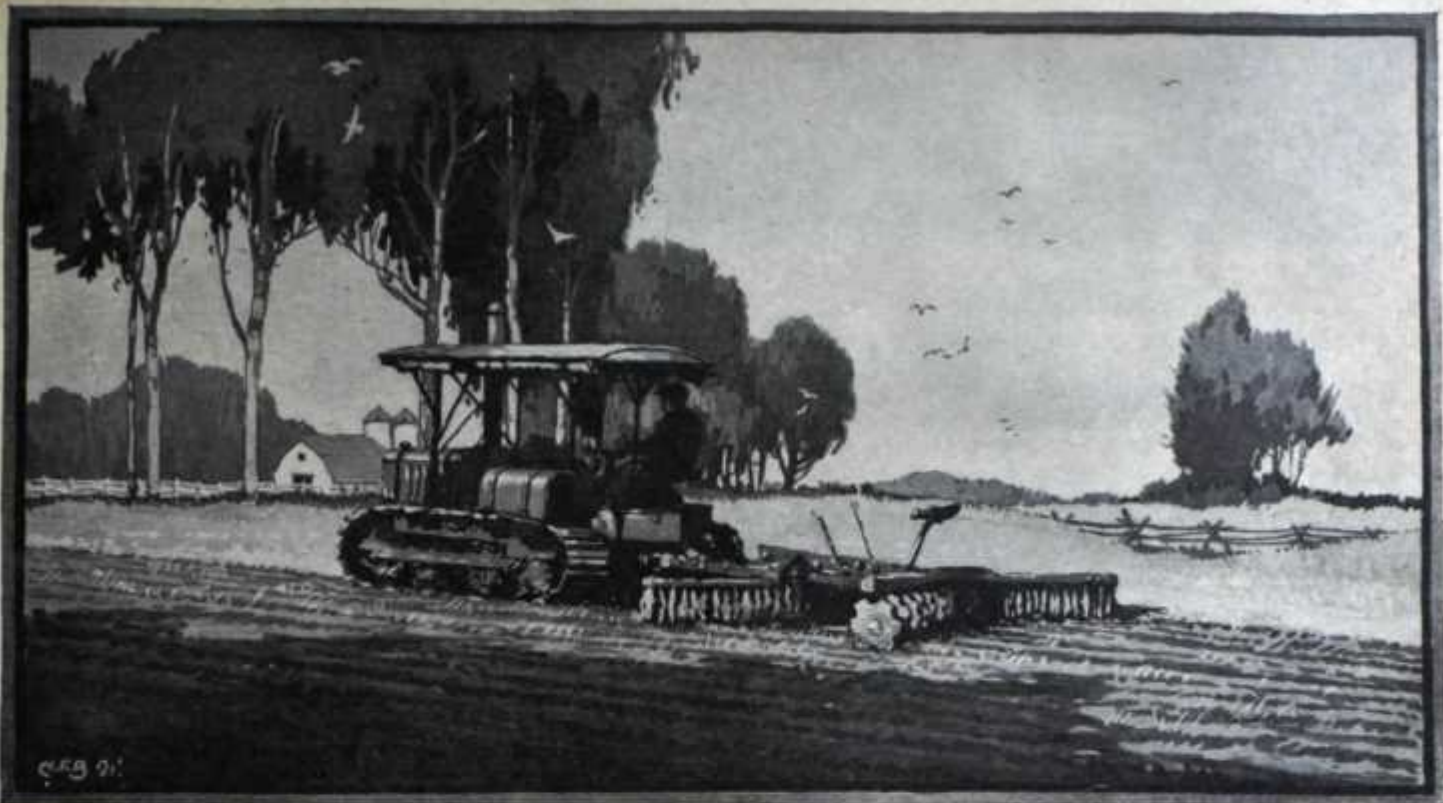
facturing. The people live to eat. It is only through industrial establishment that countries become rich and powerful.

Figures taken from the United States Department of Agriculture, the Geological Survey, and the Census Department show that in the year 1919 the gross value of our manufactured products was roughly fifty billions of dollars. The value of farm products, including animal and animal products, was only half of that figure, or twenty-five billions, while the mines produced about five billions. These figures are given only for the purpose of comparing the relative productive values of the industries, as a very large part of the products of agriculture and mining has been used as raw materials in manufacture and the values as such are included in the total of fifty billion.

Here we see that our mills and works are the greatest wealth-producing agencies in the world. We also see how dependent agriculture and mining are upon the maintenance of our manufacturing plants. Through this industry labor is afforded an opportunity to advance from lower to higher standards. The capital involved exceeds that employed in all other industries. Let us take care then that this asset is not crippled by blindly catering to selfish demands for government aid in places where the effect will be to handicap this giant industry to the certain injury even of those who may have been temporarily aided.

All trade, whether domestic or foreign, is a matter of barter, exchange of goods. Money is simply a paper promise to pay gold (where the country is on a gold basis), just as a milk ticket represents a bottle of milk and is worthless unless the milk is behind it and is ultimately exchanged for it.

This point is one of fundamental importance as bearing upon the whole question of foreign trade, tariff, and resumption of prosperity.



We are used to the statement that farming is our basic industry. But what if we were all farmers? The value of all goods manufactured in the United States during 1919 was

about \$50,000,000,000—of farms about half that amount. Mine products were about \$5,000,000,000. Much of the products of farms and mines found a market through the factories.

It is the key subject of today. Unless its truth is recognized and the fiscal policy of the United States is shaped accordingly this big fifty billion dollar industry, manufacturing, will surely sicken and decay, carrying down with it the whole business structure of the country, including farming and mining.

If I want to buy your knife, I must either give you a gold dollar (or its equivalent in a piece of paper called a dollar bill) or I must give you a dollar's worth of service by working for you, or the payment of the debt to you might be postponed by your taking my time note, or you might agree to accept my fountain pen in exchange. There is no other way by which this business of purchase and sale can be carried out.

Now, instead of our meeting face to face in this deal, suppose you are in London and I in New York. Exactly the same process must be followed; the only difference is that there are pounds sterling in London and dollars in New York, so I buy sterling bills which have been issued representing a debt in New York. If there are more dollars being bought in London than sterling in New York, exchange goes in favor of the dollar—this is the present situation, due to excess of export sales over import purchase.

Gold being accepted everywhere as the standard of value it is transferred from a debtor to a creditor country when exchange rates are against the debtor country because in this way debts are paid at parity and without the added cost measured by the exchange rate. This is the reason for the present large importations of gold to the United States.

What are we going to do about it? We must take our pay in goods, imports, or the working of the natural and inevitable laws of economics will surely result in the gradual falling off of our export trade. This trade is now from ten to fifteen per cent of the total products of our industries with possi-

bilities of enormous expansion because of the increased capacity of our works, and the limitless resources of the country in raw materials. During the month of February last our imports fell off more than fifty per cent as compared with February, 1920. Exports in the same months declined twenty-five per cent. For March the falling off is still greater. Both exports and imports declined more than fifty per cent.

Let us not deceive ourselves. America with all its resources does not afford the market that lay at our feet at the close of the Civil War. The era of prosperity which followed that war was due to the development of the West. This has been accomplished.

We must now look overseas if we would keep the wheels of commerce going round. We are indulging in a fool's errand if we think that we can continue to do a one-sided trade. Even though our customers be rich, with money in the bank, they cannot continue to trade with us unless we take goods in exchange. We do not want their paper money; they cannot send us gold.

It is a popular fallacy to think of this matter in the light of helping Europe as Hoover helped Belgium and Poland; or as one might help a man who had fallen on the roadside with a broken leg. It will not help him to break his other leg, which is what we are now doing. We should help Europe as one might help a mechanic who is trying to patch a leak in the boat lest we all go down together.

Protection to American industries is all very well if we know what we are doing. Protection is a policy; it has never been a principle. All wise policies give due consideration to circumstances and govern themselves accordingly.

In the old McKinley days the conditions were not as they are today. In one funda-

mental respect they were the reverse of present conditions. At that time we were a debtor nation. Europe was exporting to us more than we could pay for through exports. Our debts were piling up so that we were faced by the danger of exhaustion of our gold supply or serious depreciation of the dollar in exchange. We were owing Europe about five hundred million dollars annually. So a high tariff was established to restrain this situation from reaching harmful proportions. At the same time this tariff acted to nurture and develop our infant industries which were struggling against older and more experienced rivals abroad.

Today the situation is entirely and fundamentally different. Europe is piling up debts to us of about five hundred millions annually. In the words of Mr. George E. Roberts, there is not a single country in the world whose inhabitants can obtain the means of making payments in the United States without paying a premium, and the premiums range from ten to several hundred per cent. Here is "protection" of the most practical kind.

When measured in gold values an automobile which sells for \$2,000 in the United States if exported and purchased in England will cost about \$2,500; in France \$5,400; in Italy \$8,900; and in Germany \$29,400.

What of our industries? They have grown and flourished into the full vigor of manhood. In the larger and fundamental things we are amply able to hold our own in competition with the world.

If we endeavor to solve our problem by heeding the demands of selfish or political interests we do not solve it at all. Let us first understand and agree about the fundamental laws governing trade and commerce, and then with broad vision follow and adhere to them by trying to put the whole world, including ourselves, on its feet.



Lobbying—or What?

OUTRIGHT opponents of organized business, and those who compete with the National Chamber in organization efficiency, have recently cast some brickbats in its direction. Senator La Follette, defending his war record before an audience at Madison, is reported to have said:

There are more than twenty-eight powerful lobbyists maintained at Washington at the expense of millions of dollars to influence legislation against the great mass of citizens. There is the United States Chamber of Commerce—the most dangerous organization—the most prejudicial to the interests of democracy as recognized by Abraham Lincoln that was ever made in the United States. The United States Chamber of Commerce is spending millions of dollars—is it for fun?—No! It's for dollars—profits—a continuance of legislation in the interests of big business.

A measure comes up and they get out what they call a referendum ballot in which they explain the issue. The poor suckers in their local commercial clubs vote on this as represented by the Chamber of Commerce and then that body brings those figures in to influence the members of Congress.

There is the Seaman's Law. They sent out one of these "loaded" referendums. I know that the law is in the interests of the public and of the United States as against the world. This organization would have destroyed it. The United States Chamber of Commerce is sordid to its soul. And in spite of what they did, the law still holds its place in the statutes of this country.

This was not exactly news, as a few weeks previously the president of a farm organization at Washington had listed the "lobbies" and gave the United States Chamber first place in power and influence. And because the Chamber asked the opinion of its membership upon the principle of open-shop operation it has become a special target of the American Federation of Labor, the vice-president of which is quoted as referring to it as the "Chamber of Horrors!"

Such recognition by a United States Senator, and such testimony of rival organizations seeking the ear of Government on behalf of the two other factors in the economic tripod, agriculture and labor, might well appeal to members of the National Chamber as a pretty good record of accomplishment for their organization in its nine short years of life.

IT MAY not be amiss to consider briefly the charge of lobbying against a body set up at the request of the President of the United States and which has had the high praise of subsequent Presidents and ex-Presidents for its purposes and the methods of achieving them.

What is the conception of a popular legislative body in a democracy? Upon what views and impulses should it theoretically act?

If the Congress is a court of justice no one will deny the impropriety of attempting to influence the opinions of the judge with testimony or facts not of record.

If the Congressman is to act upon only what he knew or did not know of the country's political and economic issues when elected, is to surround himself with a Chinese wall, then an attempt to place before him facts and opinions of those whom he represents, is reprehensible.

Not the conception, you say.

No, Congress must represent, literally, speak for, act in place of, its constituency. To do so intelligently and honestly, it must keep itself abreast of the times, it must concern itself with the latest and best developed thought on the issues before the country. Two successive Presidents voiced publicly the need

of the Government for a national expression of business opinion; both interested themselves in the creation of organizations through which this expression should be gained. One organization failed, because it was not based on a sufficiently broad foundation of democracy. The other, the United States Chamber of Commerce, has reached its present position of influence because of the methods it has employed in securing a national expression of business opinion, and because of its methods in presenting that opinion for the consideration of the legislative and executive branches of Government.

The National Chamber proceeds from this premise:

1. Business has a right to present its views.
2. These views ought to have consideration for what they are worth.
3. Right-minded Senators and Representatives, and executive officials, not only desire to receive them but to weigh them as well.

How is this opinion obtained? There is no mystery, no secrecy about it. Committees are appointed in the open. A question, with both sides fairly presented, is submitted to the membership. Sometimes the affirmative wins, sometimes the negative. The vote in minute detail is published and a U. S. Mail carrier lays it on the desks of Government officials. There is no hanging around corridors, no buttonholing.

If such simple procedure, such open operation of a policy of nothing to conceal, is attracting attention because of its success, perhaps it might be imitated by organizations representing other than business interests, as being a real and honest contribution to democratic ideals and institutions.

When Usage Saves Misbranding

MISBRANDING as a method of unfair competition under the Trade Commission Law has been before the federal Circuit Court of Appeals. The Trade Commission had ordered that such labels as "natural merino shirts," "wool shirts," and "natural wool shirts" should not be used by manufacturers on goods which were not composed wholly of wool. The evidence was that these terms have for twenty years been customary in the trade and are understood accurately by the trade, although some part of the consuming public might be misled into thinking the goods contained nothing but wool.

The court said there was obviously no unfair method of competition as against other manufacturers. The possibility of retailers using the labels to mislead purchasers did not confer jurisdiction upon the Commission. Conscientious manufacturers might prefer to avoid labels which could be used in this manner, and Congress might find it desirable to prevent such labels. Meanwhile, however, the Commission is not a censor of business morals generally.

What Is Income?

INCOME is a perplexing thing in its different forms, and has repeatedly been before the Supreme Court for definition in connection with the federal tax. At the end of March the court said that its definition has now progressed to the point where it reads, "Income may be defined as a gain derived from capital, from labor, or from both combined, provided it is understood to include profit gained through sale or conversion of capital assets."

The emphasis upon the proviso marks the question which was before the court at the time. The point at issue was the taxability of gains from sales of investments, the taxability turning upon the nature of these gains as income or increments



on capital. The court held that they were income, and brushed aside "the refinements of lexicographers and economists," referring to the heated controversy among the learned doctors as to whether an increment to capital is capital or a gain in the nature of income.

At the same time, the court set right a situation that had caused some hardship. Even where an owner of securities sold at less than the cost to him before 1913, he was being assessed a tax upon a "gain" when the selling price was greater than the market value in 1913. The court dryly remarked that there was no "gain" in such a case. Taking a cue from this conclusion, the New York legislature made haste to correct its State income tax on this particular point.

Upon the main point, the taxability under the federal income tax of gains realized upon capital assets, the Supreme Court's decision pretty well settles the law. Since such gains can be taxed, the outstanding question is, what is fair? Under the present law such gains are taxed at the rate of the year in which they are realized. The National Chamber has declared that gains of this nature should first be carefully defined and then subjected to a less burdensome rate of tax than income from current business operations.

Hunting the Invisible Export

INVISIBLE EXPORTS present a problem of investigation worthy of the pencil of the most enthusiastic statistician. Being invisible, and appearing in none of the Government's tabulation of exports—or any other tabulation, for that matter—their discovery entails no small amount of cleverness.

Besides, our invisible exports were for many years so far exceeded by our invisible imports that an American statistician with a touch of patriotism in him rather preferred to live in total ignorance than to dig out the unpleasant facts. The change that has come upon the face of the economic world, however, has altered our position, and the technical staff of our Federal Reserve Board now is expending much ingenuity in tracing out our invisible exports.

Payment for ocean transportation on international shipments is one of the big items in the invisible import and export trade. What Americans paid for transportation on their imports used to make negligible what Americans received for carrying our exports. The Reserve Board's staff has now gone far enough to conclude that in 1919 the second amount exceeded the first by \$175,000,000 at least, and possibly by as much as \$250,000,000.

That is a figure to cause some national satisfaction, especially as we were accustomed to hearing in the pre-war years that the annual balance was \$500,000,000 the other way. The mistake is not to be made now, however, of becoming so enthusiastic over our new situation as to conclude that we outstrip Great Britain. British statisticians have been doing some figuring of their own, and reach a figure of one billion dollars as the amount received by English concerns in compensation for shipping services performed around the world in 1920.

It is to be remembered that these figures are compiled for the purpose of showing the trade balance between a nation and the rest of the world. In other words, they correspond to the prices at which goods are sold for export, and accordingly do not show the profits that were realized. In fact, these figures would remain unchanged even if the steamship companies performing the services had operating expenses that were larger than their receipts.

Government Control Hurts the Flavor?

MONOPOLIZED TOBACCO seems to deteriorate in taste and odor. After smoking for years government tobacco, for in France tobacco is a government monopoly, the presidents of French chambers of commerce are asking for relief, and they see in a restoration of competition in the tobacco business a chance to get some quality for their money, and a bit of service from retailers.

A glimpse of retail tobacco establishments in the United States has caused envy. "In most of the retail cigar-and-tobacco shops in the United States, some of which are palatial settlements," the French smokers say, "the stock is kept under glass, and in the highest-grade shops the question of temperature and humidity, of special importance in the preservation of tobacco, is carefully studied."

In comparison they ruefully contemplate their own situation, when they want to smoke. "In France the sometimes amiable state-recompensed widow concessionnaire of the bureau de tabac never heard of humidity. She is an automate and she deals out the goods she gets from the state factory with the same indifference as if they were beans or potatoes. She leaves packages of cigars on the shelf until they become dried into the paper-pulp state, and she thinks they improve with age!"

The Hardwood Lumber Case

OPEN PRICE COMPETITION, as before the Supreme Court in a case regarding the operation of a statistical bureau by manufacturers of hardwood timber, apparently will not now result in a judicial decision of the questions arising upon the facts in this particular case before next autumn or winter.

The case has already been argued once before the Supreme Court. After deliberating, the court asked for further arguments, setting April 11 as the day. When April 11 came around, however, the court postponed reargument until the twentieth of next October.

England Hasn't the Answer, Either

INCOME TAX revision may be the order of the day in England as well as in the United States. The British plan is to put into force recommendation, made by a commission which studied the workings of the present law, giving some attention to our experience as well as to their own.

The great change which may be made this year in the British plan will cause the tax to be paid, like our own, upon the net income of the preceding year. At present most business enterprises in Europe pay tax, not on the results of the preceding year, but upon the average for the three preceding years. Coal owners pay on the average of five years, and in the case of a few businesses the average is on seven years.

Of course, the present British plan is meant to care for losses. In the new plan, likewise, there will be a provision for losses, probably through permission to meet losses for any year so far as they exceed earnings in that year by putting the deficit against the net income in any of the following six years.

In the year that ended on March 31, 1921, the income tax yielded to England £394,000,000—or about \$1,576,000,000 at present exchange rates—and the excess profits tax £220,000,000—or around \$880,000,000. British revenue from all sources reached £1,425,000,000—i.e., about \$5,700,000,000, if figured in present dollars.

Some Social Problems of Business

Better relations with labor, adequate housing for us all, fuller facilities for education, more careful selection of immigrants and better treatment for them in their new land

By JOSEPH H. DEFREES

President, Chamber of Commerce of the United States

IT IS the duty of every sincere American, big or little business man, farmer, lawyer, laborer, teacher, mechanic or clerk, to make his personal weight count for the stabilizing of social and industrial conditions. The sober common sense of the American people must and will, I am satisfied, assert itself with respect to the responsibilities and duties of classes or groups, and even individuals.

There are many signs of a broader outlook and a keener sense of public responsibility. The proposition was well put by the Secretary of Labor in an address which he recently made in Chicago, in which he made this statement:

National stability and prosperity is therefore seen to be a problem of maintaining equality and justice between all factors, the worker in production lines, the organized worker, the interests of the manufacturer and of the distributor. A policy that will maintain a continued prosperity for one will maintain it for all.

There must be some way by which the economic loss resulting from strikes and lock-outs may be avoided. They are the only classes of controversies for the settlement of which, by impartial tribunals, provision generally is not made. There must be a way in this twentieth century whereby they also may become subject to such a type of jurisdiction, even though such tribunals may be voluntary and not of legal creation. Interesting and valuable experiments having compulsory jurisdiction within certain limitations are the Railroad Labor Board and the Industrial Court of Kansas.

Here's a Hopeful Sign

A HOPEFUL sign is found in a recent announcement of the secretary of the Bricklayers', Masons' and Plasterers' International Union in a telegram to the Secretary of Labor, the press account of which stated that the message endorsed legislation to compel all parties to labor disputes to get together and arbitrate a binding agreement, and quoted the union official as saying:

It is compulsory upon our members to conciliate and arbitrate wages, grievances, and all other changeable conditions that tend to cause disputes with employers, and when an agreement is entered into, or an arbitration decision is rendered, our members must hold same inviolate. This splendid policy, call it "a compulsory arbitration" if you will, has resulted in not one official strike or levying of one cent of strike assessments upon the earnings of our members for more than twenty years.

It has been said that the Chamber of Commerce of the United States is sponsor for and is agitating a movement under the label of the "open shop" for the destruction of unionism. Perhaps no better opportunity will occur to meet such statements. They are absolutely false. The Chamber has no relation to any such effort. It stands for the principle of the "open shop" in its true integrity. The Chamber of Commerce of the United States has no confidential processes, makes no secret effort. Anyone may know at all times by its public record

just what the Chamber does and just what it stands for. Its decisions are made public and it has taken no action, and has not participated in any action in respect to industrial relations which has not been spread broadcast throughout the country in the public press.

The Chamber has grown upon the consciousness of the American public, upon those in high places, upon those who have to do with national legislative affairs, with the exception of a few peculiar men, until it has come to be looked upon generally as one of the foremost institutions in our national life. It has come to this place because it is a service organization, because in all the matters with which it has to deal its inquiry is impartial, its desire is to aid in reaching results which, while for the good of business, are also for the common good.

Service, Test of Organization

IT recognizes that the value of any organization, in the life of the community, is determined by the service which it renders to the community. Indeed, it should be said that recognition of this principle applies also to the individual. For him such service in either private or public effort is the highest and best method of obtaining from the community that prosperity and right to enjoy a clean and comfortable life which we have come to look upon as the heritage of every American citizen.

There are two problems which are basic to everything. One is Housing, the other is Education.

A happy and contented people, a sane, healthy, and sound citizenship may not be expected so long as living conditions are impossible of comfort. It is conservatively estimated that the United States is 1,250,000 dwellings short of its pre-war ratio. This means that approximately 4,000,000 people in America are adversely affected by these housing conditions. Consider what this means in the life of our people if it is long continued, if growing children of today know no home except one shared by outsiders, or a single-room apartment. Four or five million persons have been crowded in with twice that many more and our whole standard of living has been forced down to an alarming extent. Doctors and public health workers say that immorality and insanitation have increased alarmingly.

The solution of this great problem not only means much to the morale and health of our people but it is essential to our national prosperity.

Education! It is said that eighteen thousand classrooms in this country were idle last year through lack of teachers and that many thousands of the teachers who served were insufficiently educated. Consider the shortage alone. It means that approximately half a million children were either denied education or crowded into other classrooms where they were given such education as they could get from overworked, underpaid, and under-trained teachers.

Likewise it cannot be expected that the youth of our land, especially those who are but one generation away from foreign countries with different ideals than ours, can appreciate and understand their privileges in this land of equal opportunity unless there is included in the curricula of our common schools studies which shall result in a true understanding of the theory of our representative government and of sound economics. The youth of today is the man of tomorrow. He is an asset or a liability accordingly as he may be able to see the light.

The same may be said of the immigrant and the same principle of proper education is involved in his treatment.

We are told that the peoples of the disturbed lands on the other side are waiting by the hundreds of thousands in frantic endeavor to secure passage to this country. We are told that many of them are subject to infirmities, either physical or moral.

While this country has been made by immigration, while the forefathers of all of us were once foreigners, and while there may be need now for appropriate types of immigrants, our laws and rules concerning immigration may well be the subject of reconsideration in the light of existing conditions. A process of examinations and selection should be set up by our Government abroad in each of the seaports from which the tides may be expected to come. The unfit physically or morally should be rejected and not permitted to sail. The records and capacities of those who are found to be acceptable, according to certain reasonable standards to be prescribed, should accompany them to this country.

The immigrant should be met here by a system instituted by the Government and composed of people equipped with knowledge as to opportunities in localities and industries. Means should be arranged by which these people should be induced, not forced, to go to these places and engage in those industries where they are most needed and where they may be expected to succeed.

Starting the Immigrant Right

IN each community, where there are now foreigners or where they may come, who do not speak our language and who do not understand our system of government, either local, state or national, and who are not informed as to our social customs, there should be set up definite and well-organized facilities whereby these people would be sympathetically aided in finding proper places to live and useful employment, stimulated to seek education so that they may speak our language, taught our system of government and made to understand our social customs and the true basis of economic effort.

All of these problems are problems which must be considered from the business viewpoint in the light of the public interest. Great, therefore, is the responsibility of the chambers of commerce and trade organizations throughout the United States by whatever name they are known, national, state, or local.

A New Plan of Tariff Making

American business asked to consider a tariff adjustment board empowered to fix rates, as changing conditions warrant, but within limits set by Congress

By J. W. BISHOP

AMERICAN business has before it a proposal for a new method of adjusting our tariff rates to the changing conditions of our foreign trade, without neglecting the duty of promoting the interest of the American public as a whole and protecting American industries from destructive competition from abroad.

In brief, the plan calls for tariff legislation which shall permit adjustment of rates within prescribed limitations and for the creation of a Tariff Adjustment Board which shall fix rates within such limitations.

This plan, worked out by the Committee on Tariff Policy of the Chamber of Commerce of the United States, was submitted to all the group meetings at Atlantic City "for consideration." There was no request for action at that time.

Here is the proposal:

First: It is recommended that permanent tariff legislation should be so framed as to permit adjustment of individual rates of particular schedule of rates within prescribed limitations, and authorize changes therein from time to time without a general revision of the tariff, and thus afford reasonable latitude in the application of tariff rates to any commodity, or group of commodities, in order that there may be flexibility in the adjustment of said rates to the varying fluctuations of industrial and trade conditions.

Second: It is recommended that such permanent tariff legislation should provide for and create a Tariff Adjustment Board, appointed by the President and confirmed by the Senate, with such emolument and tenure of office as will remove them from political influence and personal interest; that this board shall be separate and distinct from the present Tariff Commission, the duties of which should be modified to require a report of its investigations to the Tariff Adjustment Board in addition to the reports it now makes.

Third: It is recommended that in framing such legislation the principles hereinafter stated should control and that it shall be the duty of the Tariff Adjustment Board to apply the Tariff Acts of Congress and fix just and reasonable rates within said limitations to meet changing conditions, in accordance with said principles, viz:

(a) Promotion of the interest of the American public as a whole.

(b) Reasonable protection of American industries that are subject to destructive competition from abroad, and that are, or promise to be, of benefit to the country as a whole, or to any considerable section thereof.

(c) Maintenance and encouragement of export trade.

(d) Meeting discriminations, direct or indirect, against the products of this country.

(e) The prevention of dumping of foreign goods into this country to the injury of our markets.

(f) Due consideration of relative standards of living, earnings and efficiency of labor in this and in other countries.

The reasoning that led to this proposal for a Tariff Adjustment Commission is made clearer if the process of framing a tariff is divided into three parts: (1) the gathering of needful information; (2) the deciding as to general policy; (3) the application of that policy by fixing rates.

The first step is handled by the United States Tariff Commission now in existence, while the second is so much a question of party policy that Congress could not properly be asked to yield its power over it.

The third step leads to the proposal for a new commission. At present the task of fixing exact rates falls upon Congress, but here the broader questions of national and party policy begin to give way to the rivalries of local, industrial, and personal interests.

It is not conceivable that Congress should surrender its right of decision whether the country shall have a highly or a moderately protective tariff, or whether its tariff should be designed solely for revenue raising. It is conceivable that once that policy is determined, Congress might yield to another body the definite fixing of rates much as the fixing of railroad rates is in the hands of the Interstate Commerce Commission.

When the proposal was laid before the various group meetings one point was immediately raised: Why another commission? Why not extend the powers of the present Tariff Commission?

As Ansley Wilcox, of the Buffalo Chamber of Commerce, said to the Fabricated Productions Group:

I think it is a safe general statement that appeals to American business men that we have commissions enough, only they do not always function quite broadly enough. If this resolution had come to us precisely as it is with the exception of suggesting that this important matter be referred to the Tariff Commission, which might, if necessary, be strengthened or otherwise slightly modified in its organization to permit it to perform that duty, I think personally, from the examination which I have so far been able to give it, it would be an admirable resolution.

The answer to Mr. Wilcox's objection lies along this line: That the present Tariff Com-

mission was created in the face of sharp opposition in Congress, only on the principle that it should not be a rate-fixing Commission—that its task should be essentially one of research.

It was felt by the Chamber's Committee on Tariff Policy that any effort to enlarge its powers might seriously endanger the valuable work it is now doing, might lay the Commission open to a charge of seeking to increase its own authority, and might bring it under the open hostility of Congress. The net result might be not merely the failure to create a new useful rate-fixing body, but the destruction also of an existing useful commission devoted to research.

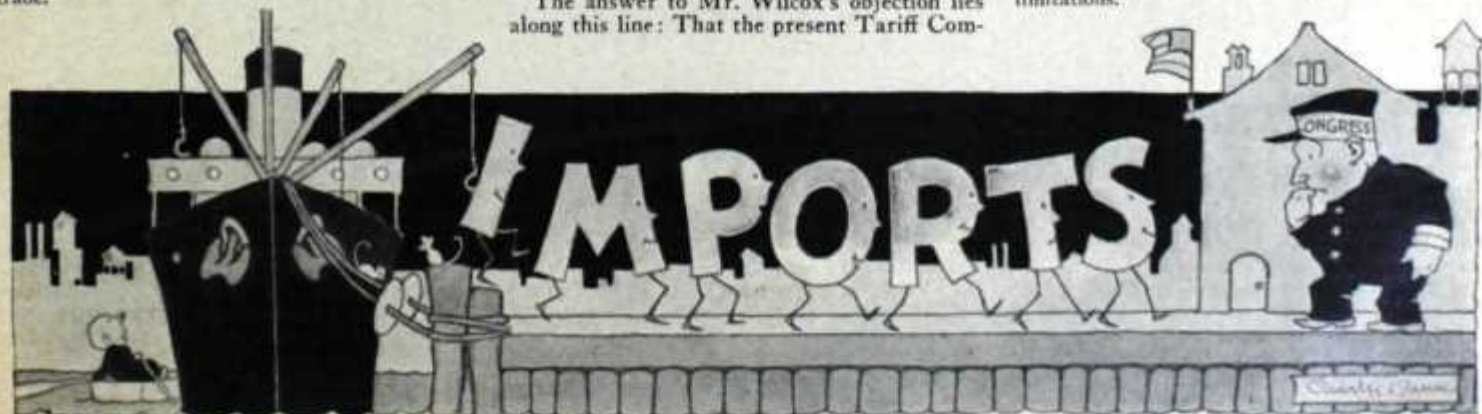
The work of the present Tariff Commission is entirely one of fact finding. Evidence of the nature of its work is found in the title of its publications, "Tariff Information Surveys." Its task in bringing the results of its investigations home to Congress has been long and difficult. To put in possible jeopardy this important work by a proposal to alter its functions seemed a doubtful policy.

Another point raised in the discussion before one group was this: "As I understand the provisions of our Constitution, the fixing of tariff rates is vested in Congress and I know of no authority outside of Congress, either by commission or sub-commission, that would have the power to fix tariff rates."

An answer to this is found in the address of Prof. Emory R. Johnson at the meeting of the group on Transportation and Communication. Professor Johnson said:

The making of a tariff law is an act of legislation, and the fixing of a tariff rate is at law the exercise of legislative power, and it is quite obvious that Congress cannot delegate legislative power. But it is also true that the making of a railroad rate is a legislative power which Congress cannot delegate, and yet Congress has declared by general statute that all rates shall be reasonable, and that no rates shall be unjustly discriminatory, and it has created a Commission to interpret the mind of Congress or the will of Congress, as expressed in that general statute, and the Commission in interpreting and applying the statute in effect fixes railroad rates, although the theory of the law is that Congress fixes the rates by statute, and the Commission interprets and applies the statutes.

The same general principles of law can probably be worked out, although it will not be an easy matter in the framing of a tariff bill. So there is much significance in those three words, "within prescribed limitations."



In addition to the proposal for a tariff adjustment board, there were laid before the members of the Chamber at the group meetings three questions. They were asked to discuss these and vote on them, the vote being for the guidance of the Board of Directors in considering a tariff referendum.

These were the questions:

1. Should the tariff be framed with due regard to export trade as well as to the protection of manufacturing in the United States?
2. Should the economic needs of foreign countries and the fact that we are now a creditor nation alter our tariff policy with respect to protection?
3. Should the United States tariff offer trading or bargaining possibilities for international commercial treaties to encourage our export trade?

The discussion of these questions brought new evidence that a large section of the leaders of American industry are seeing the tariff in a new light, with a wider vision, that they are looking beyond the question of advantage to an individual industry to the broader questions of foreign trade.

Times Have Changed

ALBA B. JOHNSON, former president of the Baldwin Locomotive Works and head of the Pennsylvania and Philadelphia Chambers of Commerce, struck this note when he said:

During the past half century our productions have increased far beyond our ability to consume, so that we can no longer enjoy full prosperity by the consumption of our own goods. In former years our tariffs were made solely with reference to the interests of each group of manufacturers without much consideration of their effect upon other lines of production and commerce. The needs of Europe for our foods and raw materials were such that they could be left to take care of themselves, and the nations buying these goods had ample purchasing powers to absorb them irrespective of our own tariff regulations.

Such is no longer the case. Our former customers have become impoverished by the war's destruction of their resources. We have become for the time being at least, a creditor nation, and if we desire to continue and to increase our exports to absorb our capacity for production, we must study foreign markets from the standpoint of American goods. The prosperity of our manufacturers, our merchants and our working people is bound up with that of our farmers, our miners, our railroads and our great producers of raw materials, who can only sell abroad when foreign buyers are able to purchase and to pay for their products.

Because of the suspension of foreign demand at the outbreak of the war, our cotton fell to six cents per pound. By reason primarily of excessive foreign demand it advanced to more than forty cents per pound, and again by reason of the inability of foreign buyers to finance purchases in the face of adverse exchange rates it has fallen to ten cents per pound. The same is true in large degree of wheat, corn, copper, steel and every commodity upon the exportation of which the prosperity of our domestic business rests.

And I think a very few of us can realize the universality of the effect of this reduction of foreign demand upon American markets, upon every individual in the United States, whether he is engaged in business or not. For instance, the value of farm lands, as of every other property, is predicated upon their earning capacity. The increase in the prices derived from American farm products had the result throughout the West and the South of making fictitious—I won't say fictitious—but making excessive prices for the products. The revenue which could be derived from a farm was at once reflected in the value of the farm lands, and the prices of wheat farms in Iowa increased from \$150 or \$200 per acre before the war to \$500 or \$600 an acre since the war.

Now, it is a far cry from the foreign consumption of American products to the price of farm lands throughout the whole United States, and possibly few farmers and few of those who are engaged in real estate business in finding purchasers for these farms, realize the fact that their interests are immediately affected by this question as to whether the

United States has an adequate foreign demand for its food products and its manufactured products upon the profits of which are predicated the value of their property.

Mr. Johnson pointed his address by this quotation from President McKinley's last speech at Buffalo:

We must not repose in fancied security that we can forever sell everything and buy little or nothing. If such a thing were possible it would not be the best for us or for those for whom we deal. We should take from our customers such of their products as we can use without harm to our industries and labor. We should sell everywhere we can and buy wherever the buying will enlarge our sales and productions, and thereby make a greater demand for home labor. The period of exclusiveness is past.

Talking before the Fabricated Production Department, J. Walter Drake, chairman of the Hupp Motor Car Company, stressed the point that there is just as much need for a tariff that will protect our export trade as for one that will protect our growing industries. He went on:

In the light of our great future as a foreign trade nation, let us insist that from henceforward the tariff legislation of the United States shall not be the handiwork of log-rollers and tinkers. The powerful weight of our influence should be continually exerted in securing and maintaining the establishment of a scientifically devised and applied tariff law, free from the taint of partisan influence, and administered in the interests of business.

This is a time of readjustment. We have been assured by the Chief Executive that there is to be more business in government. Let this Chamber, in lending its aid in the solution of the great problems that go to the root of our national economic life, seize the opportunity now presented to establish this country upon a fair, wise, and businesslike basis as respects its tariff policy.

The discussion was not all on one side. Jacob de Jong, of the Flower and Feather Manufacturers, in the same group, objected particularly to the second proposition:

If I interpret the words of that resolution correctly it means that the tariff policy pursued by this Nation from its very inception, and a policy that has brought this country to the greatest progress of any nation on earth, admittedly so by our greatest statesmen and greatest presidents—is that to be sacrificed? Is that to be sacrificed because foreign nations are indebted to us for war materials that we supplied to them? How will any American vote upon that proposition?

I implore you gentlemen representing the fabricated part of the industries of the United States to raise your voice and do what you can to maintain industries to the extent that a duty shall be placed, in spite of what the other nations of the earth should say, and that the duty shall at least equalize the cost of production in our own Nation as compared with the cost of production in other nations, so that we shall have a free ability and free chance to compete with all of the world by equalizing the cost of labor.

To my mind and conception it would have been far better to insert a resolution that this Chamber goes on record that the duty and the tariff should be framed so as to cover the difference between the cost of production in this country as compared with other nations.

An argument for the Tariff Adjustment Commission, on the ground that in present unprecedented conditions we need a greater adjustability, was presented to the Foreign Commerce group by A. W. Smith, who said:

Generally speaking, we have no lamp of experience to guide us in present conditions, because they are unprecedented. No one man is sufficiently prophetic to be able to tell what the conditions in this country will be twelve months from today, or six months from today, and we feel that it would be a most dangerous thing for the Congress to undertake to fix a rigid rule that should not be changed to meet conditions that might prove disastrous.

Mr. Bement, of Michigan, thought the resolutions too vague. As he put it:

We have got to do something now. It seems to me that a body of manufacturers who know that they are more or less—more rather than less—dependent on foreign trade, should not send out a set of resolutions that embody this milk-and-water a. b. c. business. There is not anything in it. You are going to have a high tariff unless you do something. What are you going to do about it? Unless you get after the politicians with the same implement that the other fellow uses—every man can go down to Washington and say, "My industry is going to be ruined if you allow so and so to come into this country."

A speaker had described hearing Chairman Fordney, of the House Ways and Means Committee, say that if he had the power he would make the tariff so high on every article that can be produced in the United States that not one pound of it would be imported. This moved another speaker to say:

If Mr. Fordney has been correctly quoted, it seems to me that he is one of the greatest menaces to American prosperity, one of the greatest menaces even to a continuation of foreign trade that we now have. I speak as a man experienced in Latin America, Argentine, Brazil, and Chile. I do not believe we are any more cordially looked upon down there than anywhere else in the world. This emergency tariff is greatly disliked in Argentine, where they have taken steps to enact a tariff against us. If we have to have a protective tariff, why cannot we say to foreign countries that "we have to do this for our own protection, and we are perfectly willing to make a bargain with you about certain duties, or to modify them on our products if you will do so on yours."

A New Doctrine

A PICTURE of the change that has taken place in the South as regards the tariff was presented by John Kirby, of Houston, Texas, before the National Resources Production Group. He thus described the purposes of the Southern Tariff Association, of which he is president:

In recent years a new doctrine, or a new philosophy, with respect to tariff levies, has found its way into legislative expression, and that is the doctrine of free raw materials. Our people in Texas and in the South suffer also severely from the application of this philosophy—if it can be so dignified—that they organized the Southern Tariff Association; but not only for the purpose of combating that, but for the purpose of creating a non-partisan forum for the discussion of all the problems which affect production in the South, but more especially the great economic problem of the tariff.

Ours is a non-partisan organization, but it is composed about 95 per cent of democrats. It grew out of the circumstance that under the application of the doctrine of free raw materials, everything the Southern farmer produces is upon the free list, and everything that he must buy is acquired in a taxed market. That was an inequality of legislation, which we thought unjust, and we have organized for the purpose of insisting that whether tariff legislation be based upon the democratic thought of tariff for revenue only, or whether it be based upon the republican thought of protection to American industries as well as the production of revenue, the levies should be so made that they would not discriminate against any industry or any section of the country.

A speaker before the Insurance Group, C. I. Hitchcock, editor of *Insurance Field*, read a lesson to the tariff makers from the experiences of his business:

It is most unfortunate—for both ourselves and for the world—that we have not a more thoroughgoing Tariff Commission with our experiences tabulated and charted. Insurance has learned the value of that even though the interest of individual companies may have suffered. Your rates are your tariff, and if they were made by guessing and log-rolling, rather than by experience and expert knowledge, you know that fire underwriting would be in a chaotic condition; that it would be the dependable "handmaiden of commerce" as it now is.

To Level Our Tax Inequalities

Taxes are as sure as death, but, as these business leaders show, there are ways to raise them without crippling the Nation's commerce



TAXES represent the price we pay for civilization. This is a comforting reflection with which to begin a many-sided discussion of a fact so disagreeable. The United States has got to meet a bill of four billion dollars or more next year, and there will be presented here a cross-section of the views of two-score business men and economists as to how it may best be done.

"Savages have no taxes, backward people few," says Herman L. Ekern of Chicago, former Insurance Commissioner of Wisconsin; "and the progress of civilization may, in fact, be fairly measured by the financial support of government for the general welfare. . . . A government worth defending is worth supporting."

In no savage nor backward spirit, it may be said, do these two-score business men approach the question of how the four-billion-dollar bill is to be met. The diminishing revenues from the excess profits tax, it is agreed on every side, are to be abandoned. "It has affected materially the business morale if not indeed the business morality of the country," as one speaker put it. Even the mythical Man-in-the-Street has come to the opinion that it does more harm than good. What is to replace it? Aside from the tariff, which is considered elsewhere in this issue, how is the revenue thus foregone to be made good? Through an increase in the income tax? Through a sales tax? Through a resort to loans?

To these three alternatives the business men and tax experts quoted here have addressed themselves. They were speakers, some by program and others in general discussions, at the annual meeting of the Chamber of Commerce of the United States, and they represented every shade of business and economic thought. Space forbids that more than a few of them may be mentioned here by name, or that there may be comprehensive presentation of the views even of the few. It will be more satisfactory to the reader, probably, to attempt a composite picture of the thought and feeling expressed on this, the most important domestic question before American business.

Until a few years ago the United States derived its financial support chiefly from the tariff and from internal taxes on such things as tobacco and alcoholic beverages. The Eighteenth Amendment and an enormously increased expenditure came along together, and with them came a workable income tax. Discussing the question of an increase at this point (the first phase of taxation on the program), Dr. Jeremiah W. Jenks said that surtaxes on incomes had been permitted to run too high, and added:

We should have laws and administration of laws that will prevent the making of profits or the accumulation of fortunes by unfair or unjust means; but when the profits or fortunes are the result of ability of any kind, including business efficiency or thrift, they are won only by rendering service to the public, and the greater the income, usually the greater will be the service.

Again, entirely aside from the great gifts for the public good, such as those to education, medicine, industrial and scientific research of the various Rockefeller, Carnegie and other foundations, the builders of great fortunes accumulated by fair means belong, from the economic viewpoint, distinctly to the thriftiest and most useful class in the community. It is very largely through the elimination of waste that fortunes are built in whatever line of industry the business is carried on. Aside from that, the building and administration of a great business organization is in itself the building and administration of a labor-saving machine of very great potency.

Only a small percentage—an almost negligible amount—of the accumulations of our wealthy business men is squandered in riotous living or is even spent uselessly. It is right to hit heavily mere luxuries, though they are not used only by the rich by any means. The great bulk of the earnings are reinvested in productive business, usually more thriftily and successfully than those of the smaller investors.

Bearing these things in mind, then, it becomes evident that our legislators make a mistake when they impose too heavy penalties upon large incomes.

. . . My own judgment is that it would be wise to put the upper limit on the largest incomes at not over fifty per cent, probably not over thirty per cent.

Jesse I. Straus, of R. H. Macy & Company, New York, supplemented this view. He said he assumed that if the income tax were to be increased, it must be in the lower brackets, because he considered it "inconceivable that the higher brackets can be increased," and added:

In fact it is almost universally conceded that they should be decreased, because of their increasing unproductivity due to the haven of refuge provided for large incomes in tax-exempt securities.

Already there are in existence about fourteen billions in tax-exempt securities, and Mr. Straus says they are "continuing to appear in large quantities all over the country all the time." He said it would be necessary to restrict their issue or so to restrict income surtaxes as to make them a less desirable investment. As to increasing the levy on smaller incomes, he said:

There is also a strong current of opinion that the lower brackets should be increased to conform more nearly to the British scale. This would make the men of smaller income realize more freely the extravagance of government when it exists, and more attentive to government expenditures. I could almost wish that it were possible to compel every dweller of the land to make some small direct con-

tribution to government expenditure, for I believe it would make him more attentive to the appropriations of Congress and more resentful of Congressional extravagance and log-rolling.

R. G. Rhett, chairman of the Committee on Taxation of the Chamber of Commerce of the United States, laid stress on the importance of taxing the individual according to his ability to pay. One way of levelling social and industrial inequalities, he observed, was by "imposing upon those who prosper the burden of paying for the expenses of government, which enabled them to prosper, in proportion to their prosperity"; and his primary objection to a general sales tax was that "the consumer ultimately has to pay."

Discussing the question of increasing the income tax, Mr. Rhett said:

The recommendation to revise the higher scales in the personal income tax was a problem which presented itself. Under the present system the rich man is disappearing from the taxpayers' roll, and discontent is beginning already to rise. In consequence the revenues are decreasing. The taxes are so high that the rich man naturally looked around to see how he could protect himself, and finding that there were large numbers of non-taxable securities being issued at smaller rates of interest, he took that money out of the industries of the countries and put it into these non-taxable securities. It was an injury in every way. The number of those who reported over \$300,000 in 1916 were 1,296; in 1917, 1,015, and in 1918, 627, a decrease in two years by half.

The sales tax Mr. Rhett considered first as a limited turnover tax and as a general sales levy. He objected to a limited tax on the ground that it would take one-fourth out of the ability-to-pay class, and put it onto consumption; and that it would encourage concentration of industry, because a large corporation making all the parts of its commodity would in part escape it. He found it undesirable because of the temptation to evasion, and because of "the confusion that is going to arise in classification and customs. If anyone thinks that Congress is going to put the same percentage of tax, one per cent or any other, on the sale of bread that it has on the sale of jewelry, he has lost his case. They have never been able to do that in France. The moment you start into that you start into finding what each specific article ought to pay, one, three, or five per cent, which is exempt and which is not, and we would be all summer getting it settled."

As one of his objections to a general turnover tax, Mr. Rhett offered this:

A general turnover tax affects all transactions, the banker for the interest he takes in on his money, the commission merchant for his commission, the lawyer for his fee, the doctor for his fee and so on.

It is a tax on all transactions in the country except the stock and produce exchanges. Now what Congressman do you think would vote for a tax that is to be imposed upon everybody in this country except stock and produce exchanges?

Secretary Mellon has declined publicly to urge that a sales tax be enacted, and this has been interpreted in some quarters as meaning that no such bill could pass Congress; but whether or not the political forecasters are right does not detract from the value of these opinions, representing every department of American business and several expert economic angles.

Sales taxes are already in effect in the United States. Some of the speakers dwelt at length on the soda-fountain sales tax of ten per cent, which, on a five-cent drink, is actually never less than twenty per cent—since not less than a penny can be collected—and often produces five-cent drinks at prices of seven, eight, or ten cents. Others told of sales taxes within their several businesses. Even the insurance men, who sell certain kinds of property and personal protection, decided that the premium tax (one of a multitude under which they smart) was in effect a sales tax.

Much interest attached to the experience in other countries, especially France and Canada, and to a less degree the Philippines, with various forms of turnover tax. Reports were not all of a piece, although it was apparent that the restricted form of tax effective in Canada (which, if made effective here, would yield, it was estimated, only about \$650,000,000) was pretty generally satisfactory. J. F. M. Stewart of Toronto thus explained its scope and effect:

Canada's Experience

THE Sales Tax Act effective in Canada since May 1920, . . . was a bold experiment by Sir Henry Drayton, our Finance Minister and the Government of the day. The tax has been operative now for about nine and one-half months, which gives a reasonable time to consider its effects and results.

The tax is limited in its application. It provides for a tax on sales by manufacturers, wholesalers, and jobbers. Please note here that there is no tax on sales by retailers. The sales of a manufacturer to a wholesaler or jobber are taxed by an addition of one per cent to the invoice price. The sales of a wholesaler or a jobber to a retailer are dealt with in exactly the same way. There is added to the sales of a manufacturer, to a retailer, or consumer—this assumes the middleman is eliminated—a tax of two per cent. . . . In other words, the Government expects to get two per cent on each commodity.

There are very important commodities exempt from the present sales tax which I will not enumerate, but these include, among others, practically all food stuffs, newspapers and magazines, coal and wood.

The tax as a revenue producer has been satisfactory. Basing the returns for a year on our nine months' experience, it will bring us a revenue of over 47 million dollars. Assuming the average purchasing power of the citizens of our two countries to be equal, this Act limited in its application both as to commodities and to transactions would bring a revenue in the United States of about 650 million dollars.

R. A. Nixon, of Henry Morgan & Company, Ltd., Montreal, said he had been strongly advocating a turnover tax, not with the idea that its amount should be added to the face of each invoice, as is now done, but that it should be paid monthly on the turnover. Then, he said, it could be easily financed, and it would not be necessary (as at present) to look ahead to a heavy call, at any moment. The Montreal Board of Trade, after receiving 3,000 answers to a questionnaire, memorialized the Government urging that such a system be adopted, and that the revenues so raised replace the business profits tax, the corporation income tax, the luxury

tax, the tax on cables and cablegrams, on railway and steamship tickets and berths, and on ordinary sales.

To the luxury tax Mr. Nixon strongly objected. It is paid with stamps. "All we had to do," he said, "was to go to the revenue office and get a certain number of stamps. These were in all denominations. I believe there were fifty-seven varieties. I think the man who invented them must have been named Pickles. They were something fearful." And he told how much ado there was about laying in a stock of these precious stamps and parcelling them out when a sale was made. The situation, he said, was painful, "especially with the ladies."

The situation in other countries regarding a sales tax had aroused the interest of H. B. Fernald, of the American Institute of Accountants, who commented on it thus:

Some Points to Remember

ONE strong argument which has been advanced for the sales tax is the fact that a sales tax has existed in Mexico and the Philippines, particularly in the Philippines. Now, when you remember that the Philippines tax exempts to the agriculturist the products raised by him, to the importers of foreign goods the goods imported by them and the exporter on goods exported by them, and remember that the Philippines are not a manufacturing country, you see that it is not a general sales tax.

You have been told, too, that it is successfully collected by either serially numbered stamps, where each man has to go to the tax collector's office or send and buy his serially numbered stamps and record the number got for him; he cannot transfer them to somebody else. Each man must buy his own from the tax office and must present his own signed statements that they are for his use.

Now, that method is worked successfully in the Philippines, but it would not work here.

You can cite the same thing in Mexico. Every man who is taxed must keep a sales book. Before he makes an entry in it—one sales book at a time, unless he has branches and uses various ones—each book, before he makes an entry, must be taken to the stamp office and stamped with a stamp tax on each page of the book. When he is about to discontinue it and use another, he must have the old book taken to the stamp office and have notation made that he is about to discontinue it.

I think a sales tax is politically impossible, and I hope our energy will be directed to those things which the people will have, without trying to shift the burden from the manufacturer to the laboring people.

The sales tax in France is not dissimilar in its incidence to that proposed in Senator Smoot's bill, and it has not come up to expectations. The following cablegram was read from Professor J. W. Garner, head of the department of Political Science in the University of Illinois, now an exchange professor in the University of Paris:

Budget estimate of yield for fiscal year five billion francs. Collections from beginning of fiscal year to December first, nine thirty eight million. Collections from beginning of fiscal year to March first fourteen seventy five million. Present estimate is that yield for fiscal year will be sixty per cent below budget estimate. March collections only thirty-four per cent. Expectations constantly decreasing. Tax is generally unpopular. Tax is poorly administered. Tax is found difficult to administer. Low yield is due to disappointingly small total volume of business and difficulty of administration. French experience indicates probable failure in America.

The reports from Canada, France, and other countries which have tried a sales tax did not make it apparent whether they were found to encourage concentration of capital and industry, as feared by Mr. Rhett and other speakers. It was thus expressed, for instance, by Frank H. Taylor, president of the S. S. White Dental Manufacturing Company:

We do not want vertically organized corporations who control their materials from the "cradle to the grave" and sell only once, to absorb all the serious productions of the country, because we know the increasing number of small industrial units constitute the backbone and security of the Nation and must have an open road to success.

Some advocates of the tax maintained that a way could be found to equalize its burden as between large and small concerns.

As to who would pay a sales tax here, there was earnest consideration and of some difference of opinion. Would it fall on the consumer? On this point hear C. C. Hanch, of Indianapolis, chairman of the Taxation Committee of the National Automobile Chamber of Commerce:

Reference has been made to the question of taxing ability to pay taxes, and not taxing the consumer. So far as I know, the only tax which does not reach the consumer is the inheritance tax. Therefore it is mere sophistry and camouflage to say that we are not going to tax the consumer but are going to tax the ability to pay taxes. In my opinion the excess profits tax and the discriminatory excise taxes have passed much greater sums to the consumer than will be passed to him by an equitably distributed sales tax, of a moderate percentage. Therefore I would answer the question, Should there be a sales tax? in the affirmative.

But B. M. Anderson, economist for the Chase National Bank, held that a general sales tax, hitting at gross rather than at net operations, was unwise because taxes should strike properly at "emerging net profits." And he gave this description of tax shiftings under different business conditions:

I doubt whether business men would be as enthusiastic about a general sales tax as they now are if they realized fully the difficulty of shifting the incidence of taxation in a state of balanced trade, which tends to show just which taxes can be, and which taxes cannot be, shifted. Economic theory has not yet worked out fully the laws governing the shifting of taxes in periods of boom or in periods of depression. It is obvious, however, that it is very much easier to shift taxes in the form of higher prices in a boom, when prices are going up anyhow, than it is in a period of depression, when the price tendency is downward.

The Three Roads

JULES S. BACHE, head of J. S. Bache & Company of New York City, declared that the administration must decide on one of these three things: a sales tax, a capital tax or a huge deficit; and in advocating the first he gave this opinion as to its incidence:

I want to call attention to the fact that, whenever the sales tax is being discussed or noted in the course of its operation as a one per cent tax, it is not a tax but an overhead charge, a charge to be added to the cost of the merchandise which is passed along to the ultimate consumer; and, when it reaches the ultimate consumer, in nine cases out of ten, it will be neither spoken of, seen nor felt except in large transactions, for it is my belief that, ultimately, in the smaller retail trade, the very largest percentage of it will be absorbed by the seller and become a part of his overhead, as it will have been up to the time when it reaches the retailer.

As opposed to the view expressed by Mr. Bache, Professor Fred R. Fairchild of Yale University asserted that a turnover tax, like any other consumption tax, would fall more heavily upon the poor than upon the rich, and in conclusion uttered this warning:

The sales tax has nothing to commend it as a substitute for our present tax system. It is not needed to make possible the repeal of the excess profits tax or the removal of other obnoxious taxes. It is not needed to balance the budget. Why then should we accept it? Let us beware lest we find ourselves saddled with a great new tax device, which will prove to be simply an additional tax; yielding a revenue in excess of the needs of an economical

administration; inviting Congress to new forms of extravagant and wasteful expenditure; discriminating unjustly between different business concerns, and adding to the costs of all business just at the time when business is struggling to get back on its feet. I think we shall want to ponder long and carefully before we commit ourselves to such a program.

Representative James W. Good, chairman of the House Committee on Appropriations, presented a compact scheme of meeting the budget without resorting to a turnover tax, as follows:

If we accept, therefore, the \$4,000,000,000 as the amount required for the next fiscal year, from what source can we collect this amount of revenue with the least disturbance to business, and at a minimum of hardship upon the taxpayer?

Broadly speaking, our tariff duties should be increased, the excess profits tax and the tax on transportation should be repealed, and the supertax on individuals modified. The revenue derived from the excess profits tax is no longer necessary; the loss in revenue through the repeal of the transportation tax can be supplied without hardship by an additional tax upon luxuries, such as an additional tax upon tobaccos, cigars, and cigarettes. A tax levied upon these commodities equal to the tax levied by Great Britain on like articles would yield over \$200,000,000 additional revenue, providing there should be no substantial reduction in consumption. Last year there was withdrawn from bonded warehouses almost 40,000,000 gallons of spirits for medicinal purposes, but which were used for beverage purposes. The restoration of the tax of \$6.40 a gallon on spirits in lieu of the tax of \$2.30 per gallon under existing laws, should yield at least \$100,000,000. A wheel tax on the 9,000,000 passenger-carrying automobiles now in use, and for the convenience of which we are spending out of the Treasury approximately \$100,000,000 in Federal aid to good roads, would produce, without hardship, \$150,000,000. A light tax on the net earnings of corporations could be resorted to with a minimum of hardship to the public.

Doubts of the Sales Tax

IN REGARD to the sales tax Mr. Good expressed grave doubts. He feared that it would result in "simply shifting the burden of taxation from the shoulders of those who are best able to pay to the backs of those who would be compelled to pay, regardless of their ability to do so"; and he spoke in this connection of the unemployment situation and the difficulties of industrial rehabilitation.

Malcolm Stewart, an advocate of the sales tax, said that when he bought a pair of shoes in a retail store he knew he had to pay a lot more than it cost to make them, and continued:

I wonder just what happens to that pair between the time the manufacturer turns it loose and I get them on my feet. I know it is not the freight rate, because a pair of shoes does not weigh much. It is either that the retailer is profiteering or there have been several taxes assessed before I got them. One of them is the turnover tax, and an excess profits tax, if he was making it, and if it is over a certain amount I have to pay 10 cents sales tax.

Now a sales tax makes every man know that he is taking part in supporting the Government. That is the advantage of it.

Estimates of what a turnover tax would yield, according to one speaker, ranged from \$1,700,000,000 to six billions. This took no account of the estimate which we have quoted, that a tax here similar to that in Canada would yield less than three-quarters of a billion. Harold Young, of the Retail Dry Goods Association, said he was informed in authoritative governmental circles that the value of goods, wares, and merchandise in the hands of manufacturers was fifty billions, and he thought it reasonable to assume that there would be four turnovers of these commodities on their way to the consumer.

Therefore, he said, "that would be a matter of \$200,000,000,000, which, for the sake of argument, at one per cent would yield \$2,000,000,000, which is half of the Government's requirement of \$4,000,000,000."

Paul Armitage, of the law firm of Douglas, Armitage & McCann, New York City, presented this interesting list of estimates:

The National Manufacturers' Committee say that the turnover tax will produce \$6,730,000,000.
Roger W. Babson claims \$5,000,000,000.

The States Review, \$5,000,000,000.
New England National Taxing Committee, \$7,000,000,000.

Dr. Thomas F. Adams, \$2,000,000,000.

Joseph F. McCoy, \$1,700,000,000.

From that I think we should strike a fair average of three to four billion dollars.

The Excise Tax

AT EVERY Atlantic City meeting where the three questions on taxation were open to general discussion an effort was made to have a fourth question added: Shall the excise tax be repealed? In no case was this done, but in one instance representative Aaron S. Kreider, who in private life is a shoe manufacturer, and who attended the convention, took occasion to reply:

A gentleman who addressed you here was advocating the abolition of the excise taxes, because they apply to certain industries and not to others; and it is true that these taxes do apply to certain industries in part, and the other part is not taxed. For instance, shoes retailing at \$10 or more are taxed. Shoes retailing under \$10 are not taxed. The same is true of stockings, the same is true of hats. The same is true of a great many things. The same is true of a great many industries, such as musical instruments, such as jewelry and so forth, which come under the heading of luxuries, and are subject to luxury taxes.

Several business men suggested a Tax Commission, somewhat on the order of the Tariff Board. Frank H. Taylor urged that a request be sent to Washington "that they set up some machinery by which immediate study of tax questions can be systematically done and be immediately available to the press; but Mr. Straus, New York City, went further:

I sometimes think that we should have a peace industries board, a national economic council, as a part of our governmental machinery, which would undertake the preliminary formulation of revenue laws. Such a board, representing the various economic interests in the community, including the farming and labor elements, should have the broad function of acting as a clearing house and testing laboratory. It could study these important problems of production and consumption, of fiscal needs and expenditures, and such other national problems as from time to time present themselves. If it were composed of trained men of wide outlook and of judicial temperament, Congress would perforce, in time, come to recognize its suggestions and plans with favor, and acting on its authority put an end to the constant introduction of bills on the part of members of the House whose study of any large financial or fiscal question cannot be adequate.

George W. Hodges, of Remick, Hodges and Company, New York City, presented a detailed scheme for a consolidated and re-funded loan to cover outstanding long and short-time indebtedness, to mature in about fifty years, with a flexible rate of interest. To issue them at the rates now necessary would put an unnecessary burden on posterity, and Mr. Hodges' plan for varying the rate, therefore, was of special interest. He explained it as follows:

Provide that the interest paid shall be at a rate to be fixed at and for stated periods by the Secretary of the Treasury with the advice and approval of the Federal Reserve Board, and one which, in their

estimation, will as nearly as possible maintain the market price of the bonds at par during each ensuing interest period.

This should be mandatory.

The rate for each period should be determined and announced six months prior to the expiration of the previous period.

It is probable that four years would be found to be the logical time to elapse between adjustments, except that the first four years might be divided in periods of two years in expectation of the development during that time of more stabilized conditions.

Ira A. Campbell, an admiralty lawyer of New York City, thought there should be a resort to loans, in order to reduce taxation, but he did not say whether he thought money should be borrowed to meet current expenses. On this point Mr. Armitage was specific:

If that question means, as I take it, that there should be a resort to loans to make up any deficiency in the current earnings, I think we all would vote no. If the purpose of it is that the Government shall be run on a deficit, and the deficit made up by loans, I think we are all agreed to vote no.

In discussing the refunding of the national debt, which he regards as imperative, Chairman Good of the House Committee had a word to say on Government and business, which formed the central theme of the convention:

Just at this time, when every nation of the world is striving for first place in securing world trade, shall we hamper industry by excessive taxation, so that we cannot take our just place in the trade of the world? Far better for America, industrially and economically, to fund her war debt over a long period of years, and give American industry a chance to win in the race for trade supremacy. By refunding the war obligations that will presently be due, we will permit industry to retain a larger part of its earnings than is permitted under existing law in order that it may meet the demands of trade and commerce; and we will have taken a long step in our industrial and financial readjustment.

To accomplish these ends, the Government must get out of business, and we must put better business in the Government. This will be accomplished by the enactment of a sound Budget law, which will permit the Government of the United States, the biggest business in all the world, to be conducted along business lines. That law will bring a measure of economy which will in itself become our greatest revenue.

As to the Tax Referendum

ATAX referendum by the Chamber of Commerce of the United States (No. 34) failed to elicit a decisive vote on the turnover tax, and so it is possible that another may be taken in the immediate future. The Committee on Resolutions of the National Chamber agreed at Atlantic City on the following announcement:

Referendum No. 34 on the report of the Special Committee on Taxation developed, in the opinion of some of the constituent members of the Chamber, an uncertainty as to the proper interpretation of the votes upon some of the questions propounded. During this convention there have been put forward in formal resolutions by constituent members under the provisions of the by-laws and by group meetings resolutions calculated to open up these doubtful questions and secure a definite and conclusive opinion upon them.

The Committee on Resolutions believes it would be unwise to establish in this way a precedent whereby a convention held shortly after the completion of a referendum should by a vote much less in number of constituent organizations represented endeavor to revise by a convention vote the vote upon a formal referendum. The Committee therefore recommends that the annual meeting should request the Board of Directors to take steps to have a new referendum prepared at once, thus again permitting the organization members of the Chamber to record their definite opinion. Thereby a declaration by the Chamber freed from uncertainty and conclusive in its recommendations becomes possible.

Looking Conditions in the Face

Leaders in the basic industries of the United States go deeply into our present problems and lay their plans for meeting them

THIRTY-FIVE HUNDRED business leaders attended the annual meeting of the United States Chamber of Commerce at Atlantic City, April 26-29, to exchange fact and opinion on matters affecting the industrial well-being of the nation.

In order that a more intensive study might be made, delegates gathered into groups, covering the basic industries—finance, distribution, production, natural resources, civic development, transportation and communication, insurance, and foreign commerce.

For example, the men in the fabricated production group discussed the relation of wages to production and sales, the proper treatment of overhead in stabilizing prices, and the importance of production statistics; finance discussed foreign trade financing, the Government's fiscal policy and the reorganization of Government activities; and so on through the peculiar problems that are now facing each class of business.

These divisions present a cross section of the nation's business. We are presenting here a concise report, not only of the discussions, but also the specific recommendations that came from the delegates. In other parts of this number of the magazine, we publish at greater length some of the more general presentations made at Atlantic City, such as Mr. Hoover's statesmanlike analysis of American business, Mr. Booth's and Mr. Bedford's illuminating picture of Europe's relation to our domestic situation, and Mr. Hurley's account of the arrested development of public utilities.

Two subjects had right of way in groups and general sessions—tariff and taxation—and these topics are handled fully elsewhere in this number.

THE NATION'S BUSINESS is peculiarly fortunate in being able to give its readers these valuable contributions to the important subject of the larger relation of government and business.—THE EDITOR.

Give the Railroad Act a Chance

So far it has operated under abnormal conditions. The immediate need is for greater economies in operation

SHIPPERS, engineers, railroad men, and investors who came to the annual meeting of the National Chamber, gathered to themselves at one of the hotels and under the amiable gavel of George A. Post, chairman of the Chamber's Railroad Committee, dragged the difficulties of the carriers out into the wholesome daylight. The meeting brought out concrete suggestions by which the companies, their customers, and the Government might hope to get the carriers running smoothly once more.

Harsh things that have been said about the Esch-Cummins Law were not given any support. All agreed that the Transportation Act should be given a fair chance. There seemed to be just one way out for the railroads; that was through a reduction in costs and an increase in efficiency.

Now, that is quite an order, as any railroad man will point out, but the matter was not left without definite suggestions being made. E. J. McVann, secretary of the Smokeless Coal Operators' Association of West Virginia, spoke for the shippers. Mr. McVann referred to the record made by the carriers immediately after they had been returned by the Government, in handling "the greatest tonnage that had ever been moved on their rails." Yet there was a clamor for a revision of the railroad act.

In spite of the highest rates that had ever been in effect, the cost of operating had risen from 91 cents out of every dollar in December, 1920, to 95 cents out of every dollar in January and February of this year. Mr. McVann doubted the entire truth of the statement that high rates had stopped the movement of commerce. As a witness, he quoted

the president of the Illinois Central who pointed out that if the railroads carrying cotton were to cut their rates 50 per cent it could not stimulate the movement of cotton under present conditions. Getting down to the important question of what could be done, Mr. McVann said:

There is no one part of the whole railroad plan of construction and operation upon which the finger of the observer can be laid which presents

so clear a picture of bad results as the present terminal development and use of the railroads of this country today.

I have heard it stated that the terminal cost of the duplication of our railroad plant today as it stands would be close to fifty per cent of the whole capitalization. That is, if they were duplicated, of course, in the manner in which they were originally built. If it were only possible to wipe them all out and make use of the experience that has been gained while they were being built, and remake them, it would be the most wonderful thing that ever happened to the transportation system of the United States.

At one fell swoop you would cut out a large part of the item which is one of the biggest factors of increase in actual transportation handling—the terminal expense. It is enormous, constant, reaching out into every business. Of course they cannot be destroyed, and of course they cannot be reconstructed ideally; we all know that.

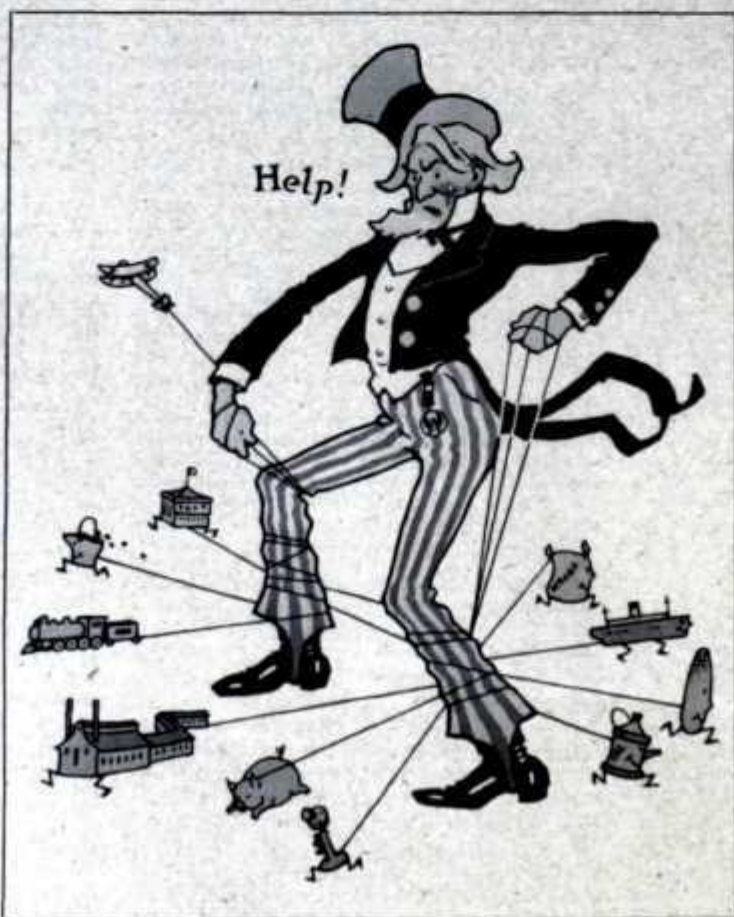
But the law as it stands today, the Transportation Act of 1920, recognizing that it would be necessary to eliminate some of the trouble that grows out of that difficulty, has put it in the power of the Interstate Commerce Commission and of the railroads to better the terminal conditions.

The elimination of empty car movement by reason of the coordination of railroad facilities—that is to say that every car that goes into the terminal under load may receive a load before it goes out again—would result in an almost unthinkable saving in money.

There is another idea that the shippers have had. I have heard many hundreds of them express it at different times. And that is the regret over the lack of development and use of the waterways of the United States for the handling of traffic so that the railroads might be relieved at times when it was necessary that they should be relieved.

The whole theory, as I have heard it preached ever since I started in to the railroad business, thirty-five years ago, has been of the competition between the water carrier and the rail carrier, and the necessity of the rail carrier—to use the phrase which was often used—bottling up the water carrier. And there has been a lot of it done.

As a matter of real commercial utility, the great proposition should have been the coordination of water and rail transportation, instead of



competition between water and rail—the utilization of the water to relieve the rail, and the rail to relieve the water facilities.

One of the most conspicuous instances of the tremendous results that can be obtained from that kind of coordination is in the great machine that has been built up for the transportation of coal up the lakes, from the Lake Erie ports to the Lake Michigan and Lake Superior ports, the Sault, the St. Clair River and the Georgian Bay ports, and the corresponding movement of iron ore from the great producing districts in the North by the use of the same boats back to Lake Erie.

Further practical comment was made by F. A. Molitor, of the Institute of Consulting Engineers, New York. After giving some interesting figures showing the rise of prices for railroad labor as compared to the cost of living, he referred to the fact that the last labor increases had been made retroactive; although the freight rates granted the roads were not made retroactive. Mr. Molitor estimated that the roads, under present conditions, would fail by a billion dollars to earn a 6 per cent net return.

He thought that the roads might save \$250,000,000 with the complete abolition of national agreements, and with the return of freedom to deal directly with their men. Since it was agreed that this was no time to further increase rates, and since 65 per cent of operating cost was labor, Mr. Molitor made the suggestion—"probably no one but an engineer would have the nerve to do it"—of abolishing the labor increase made by the labor board last July. This would save \$700,000,000, and a further cut of a cent per hour on the entire pay roll would account for the remaining \$50,000,000 left of the billion deficit.

Mr. Molitor said:

I heartily concur as an engineer in everything suggested by Mr. McVann as to the coordination of transportation facilities. Of course I know that in the original plan of the railroads, all our railroads in this country, they were built up entirely on a competitive basis, not only the railroads themselves, but to aid competitive communities, so that until now perhaps they have not been able themselves to make any coordination of terminals, except in a very minor way, but that should be, in my opinion, a study that they should promptly make.

They should also raise the morale and the discipline of the railroad employees, and if they were able to do it, proclaim an open shop.

Now the employees can assist. They are quasi public servants. It seems to me that every employee of a transportation company in this country or any other country, and every one who is dealing in anything that makes for the safety of our citizenship, should be placed under such regulations that a stoppage of the flow of items of commerce upon which we must live, our food, and so on, would be absolutely prohibited; that such an employee, such a person should be absolutely prohibited from interfering with them.

There is one other thing that seems to be of some interest to the general situation; I refer to those who hold the bonds of our carriers. I think there are outstanding about twelve billions of mortgage bonds. It seems to me that the holders of those securities should commence to be helpful in this general situation, because in the last analysis, and after all, if the public does not take any interest in the matter the question will not be settled; they control the situation.

They do so for this reason, that the savings banks hold one billion seven hundred million dollars in railroad bonds; the insurance companies hold one billion six hundred million dollars in railroad bonds, or a total of \$3,300,000,000. There are eleven million depositors in our savings banks, and thirty-four million holders of insurance policies; the savings and the insurance being very considerably secured by the mortgage bonds of the railroads.

The importance of terminal improvement and economies was stressed by the report of the Railroad Committee of the National

Chamber. The report gave a résumé of the effects of the Transportation Act, and showed how the slump in traffic had thwarted the desire of the Interstate Commerce Commission to establish a profitable rate. It then took up the labor side of the question, carrying it through to the decision of the Railroad Labor Board—handed down on April 14, 1921—that the national agreements should be terminated on July 1 this year. Prior to this date, the carriers and their employees are to work out new agreements to be submitted to the Board for its approval. The question, "How can the railroads increase net operating income?" is then taken up.

Here are some of the definite proposals in the report:

The first step toward the accomplishment of greater economies in the operation of railroads is in the large cooperation of the carriers with each other in the performance of their services. In terminal organization and management the cooperation of the carriers is especially urgent, and in this field many economies undoubtedly can be brought about.

If experience should develop the need for legislation giving the (Interstate Commerce) Commission greater power than it now possesses to compel carriers to cooperate in terminal organization and development, such legislation should be enacted.

Whatever economies may be effected by changes in operating methods, there must inevitably be a reduction in the percentage which salaries and wages comprise of the total operating revenue.

In order that the business of the country may revive and go ahead at a desirable pace, a large amount of capital must be put into the facilities for railroad transportation. This capital must be

obtained by railroads owned and operated by private corporations, and the capital must be supplied by the investing public. It is obvious that the public will not invest in the railroads unless a return of at least five and one-half or six per cent per annum is reasonably certain. In planning for the future of the railroads, provision must be made for a net operating income that will enable the railroad companies to pay a reasonable return upon capital investment. Net operating income of the railroads in 1920 was only \$62,265,000, or less than one-sixteenth of the amount Congress has declared by statute to constitute a reasonable return upon capital invested in railroads.

The financial situation of the railroads is not hopeless. It is to be expected that operating efficiency and economies, together with the increased traffic that will come with the gradual return of business prosperity, will restore the business of railroad transportation to a profitable basis.

The Interstate Commerce Commission is working upon a plan for the grouping or consolidation of American railroads into a limited number of permanent competitive systems of approximately equal strength and stability. This is being done by the commission to carry out a mandate imposed upon it by the Transportation Act of 1920. When the plan has been adopted and promulgated by the commission, the carriers may by voluntary action bring about such consolidations as are in harmony with the commission's general plan and as may be approved by the commission.

It will be desirable to have further experience under the Transportation Act of 1920 before considering amendments or additions to that law. The railroads are sharing with other enterprises the misfortunes of the hour. Before another year is over it is possible that business conditions and railroad traffic and earnings will be more favorable. Another year will give Congress a better perspective of the railroad situation.

Watching Our Biggest Spender

Problems of Government income and outgo are the chief worry of the financial leaders of the country

WITH the Federal treasury's revenue requirements in excess of five times those of 1914, and with a debt of almost eight billion dollars due to be retired or refunded in the next three years, the Government's fiscal policy naturally stands first in any discussion of finance. It is the one phase that is bothering American business men and bankers most at this time. At least that is the conclusion to be drawn from the discussion of this subject at the Chamber's Finance Group meeting at Atlantic City.

The business and financial men of the country are most anxious to know just what the Government's fiscal policy is going to be. As one of the speaker's expressed it:

It is most unfortunate that at the present time there is no way of determining whether Congress will conscientiously pursue the announced administration policy of thorough retrenchment of national expenditures. Upon every good citizen there rests a personal responsibility to urge insistently that these promises already made are kept and that neither by excursions into branches of the public service more appropriate for state or municipal administration, nor by enactment of legislation unwarranted by any reason other than political expediency shall the country be committed to a program of extravagance the evils of which would burden not only this but succeeding generations.

Is it to be economy or extravagance?

That seemed to be the whole tone of the finance meeting. All the speakers urged economy in government, or better still, "more business methods in government." They saw a ray of hope for relief from burdensome taxes through greater economy and greater efficiency in government.

And this earnest hope of business men for stringent economy as expressed at Atlantic

City has already borne fruit. The administration has begun its drive for economy in the executive departments. President Harding has called upon all department heads to cut down expenses. The best way to begin, he suggested, is by lopping off unnecessary expenses in the departments. The President has warned the department heads that there is no more "dangerous tendency in the administration of Government departments" than the excess of expenditures over appropriations. Estimates now before Congress call for approximately \$216,000,000 of deficiency appropriations, and the estimated deficiencies will run very much beyond that sum, President Harding told his cabinet officers.

It has been proposed to establish an emergency commission, to be composed of the head of the proposed budget commission and the chairmen of the two appropriation committees of Congress, to which would have to be submitted, by the heads of all the executive departments, all matters contemplating expenditures beyond appropriations.

Another step in the direction of economy in Government is the progress that has been made in Congress toward the enactment of legislation providing for a budget system; reclassification of Government employees and reorganization of the Government service. These three things will help toward greater efficiency in the operation of the Government.

Congressman James W. Good, chairman of the appropriation committee of the House, pointed out that it is costing the Government more to pay the annual interest on the national debt than it did to run Government in 1907. Now, interest on the national debt is almost \$1,000,000,000 a year, while the total

Government expenditures in 1907 were something like \$750,000,000.

In referring to hang-over war obligations, Congressman Good said that before the Government is through paying the total cost of Government operation of railroads, it will be found that the bill would not be less than two billion dollars. "Even that tremendous sum will be found small," he said, "if it kills forever the socialistic and harmful proposals of Government ownership of the railroads." This remark brought hearty applause from the audience.

"Government expenditures even in times of peace," declared Congressman Good, "increased more rapidly than did our population or wealth. As the Nation grew and its problems became more complex the cost of administration grew in like proportion. This is forcefully brought home to us when we analyze the increasing cost of some of the functions of the Government. The total annual cost of administering the Government under Jefferson was \$1.52 per capita; it amounted to \$2.58 per capita in 1860; during the four years covered by the Civil War the annual average cost was \$25 per capita; for the ten years period from 1882 to 1891 it was \$5.50 per capita; in 1916 it amounted to \$10.11 per capita; during 1918 and 1919 it was \$115.07 per capita, and for 1920 the cost to administer all the departments of the Government was \$61.88 for every person in the United States. The mere suggestion of this enormous growth in Government expenditures calls for hard thinking and plain speaking on a question that vitally affects the Nation's pocketbook."

Congressman Good stressed the point that the people of the United States should analyze and study the balance sheet of the Nation with as much interest and care as they would the balance sheet of a corporation in which they were stockholders. We are all stockholders in the biggest corporation in the world, he said, and Government business is our business.

Congressman Good went into the question of how the \$4,000,000,000 required to run the Government during the next fiscal year can be raised. He would increase tariff duties; repeal the excess profits tax and the tax on transportation and modify the super tax on individuals as told elsewhere in this issue.

"Never before have we attempted to pay a war debt so quickly," he said. "At the end of the Civil War we had a Government debt of \$2,381,530,294.96 and when we entered the World War, more than fifty years later, we still had outstanding Civil War obligations of more than a billion dollars. Our per capita debt at the close of the Civil War was \$68, and our per capita wealth was \$719. Today our per capita debt is \$223, and our per capita wealth is \$2,322."

Six Fundamental Needs

RIGHT in line with Congressman Good's plea for economy in Government, Dr. W. F. Willoughby, director of the Institute for Government Research, Washington, talked on the "Reorganization and Coordination of Government Activities." Dr. Willoughby recommended six fundamental reforms in the scheme of Government organization, as follows:

The entire revision of the present system of determining and making provision for the financial needs of the Government, to be secured through the adoption of a scientific budget system.

The provision of means for securing automatically the information needed for budgetary purposes, to be secured through a recasting of the present system

CONGRESSMAN JAMES W. GOOD, chairman of the Appropriations Committee of the House, estimates the relative national wealth and debt of the leading countries of the world as follows:

	Wealth	Debt
Great Britain	\$69,600,000,000	\$38,173,000,000
France	\$58,500,000,000	\$46,025,000,000
Italy	\$22,800,000,000	\$17,900,000,000
Germany	\$80,000,000,000	\$46,000,000,000
United States	\$250,000,000,000	\$24,000,000,000

*This does not include indemnities or reparations.

of treasury and departmental accounting and reporting.

The setting up of an agency and procedure through which the receipt and expenditure of public funds may be properly controlled and Congress be given that information which it must have if it is to assure itself that its agents, the administrative services, are properly performing their duties and be in a position to act intelligently in respect to the future grant of funds, to be secured through the creation of the independent office of Comptroller and Auditor General.

The grant to the President of means through

which he may, in fact, as well as in name, meet his responsibilities as head of the administration, to be secured through the attachment to his office of a Bureau of General Administration, or, to use a term more commonly employed, a Bureau of the Budget.

The complete reorganization of the present personnel system of the Government, to be secured chiefly by the adoption of a standard classification of positions and salaries, the erection of the great field services, such as the postal, customs, and internal revenue services into ones offering definite careers to their officers and employees, and the establishment of correct methods for the recruitment, promotion, and retirement of personnel.

The elimination of the present widespread overlapping of jurisdictions and functions, and indefensible duplication of services, organization, plant and work, to be secured through the regrouping of the services of the administrative branch of the Government departmentally, and the reassignment of activities and services having to do with the same or closely related fields will be brought together under a common head and all parts brought together into one systematically integrated piece of administrative mechanism.

Straws in Foreign Trade Winds

Not only banks and railroads, but trade associations and local chambers of commerce have foreign departments

TEAMWORK without duplication of effort is essential in successful international trading. It is for this reason that foreign trade departments have sprung up rapidly in banks, chambers of commerce, and trade associations; but many of them found, in their earlier activities, that they were duplicating work already being done by the United States Department of Commerce.

These departments were the chief topics at the annual meeting of the Chamber of Commerce of the United States in Atlantic City, when men especially interested in foreign commerce got together. The views of William C. Redfield, chairman of this meeting of the National Chamber, will be found elsewhere in this number. Others discussed the functions of specialized national trade bodies and foreign trade bureaus.

Donald Frothingham, manager of the Foreign Trade Department of the American Express Company, laid stress on the matter of teamwork. After nine years of hitting the line in foreign trade in annual discussions, he said, the need of cooperation had become apparent to all, and he continued:

Teamwork is characteristic of 1921. There was not much teamwork eight or nine years ago. We were all going in the general direction without paying much attention to what our neighbors were doing.

Where do the banks, railway companies, and express companies come in? To explain this can best be done by a proper understanding of how the banks, the railway companies, and the express companies are themselves a part of the essential machinery of all foreign trade; that is, they are called upon to finance exports and imports, they are called upon to handle shipping from the interior to the seaboard, and vice versa, of exports and imports, and to handle shipping abroad. There might well be added to this, perhaps, something that did not exist many years ago, and that is, the American steamship companies.

This is a keenly competitive field: the banks for their own business, the railroads for the freight business, the express companies and the steamship companies for their business, and it is a field in which results absolutely depend upon services rendered to American merchants and manufacturers. The primary reason, then, for the addition of foreign

trade departments a few years ago was to improve and simplify the services rendered by these banks and transportation companies. The expense for such foreign trade departments was an investment expense.

Mr. Frothingham noted that the first foreign trade departments were organized in 1914, and that during the next three years their number increased rapidly. A recent recapitulation, he said, showed that twenty-four banking institutions had such departments, maintaining special advisers for their customers. Railroads and steamship companies have followed suit.

Edward A. Brand, secretary of the Tanners' Council of the United States, had a word of praise for the United States Department of Commerce:

With respect to the Government's part in foreign trade I wish to point out that for a number of years the Bureau of Foreign and Domestic Commerce has been the leading promotive organization in the world. There has been much loose talk about facilities provided by the British, French, and German Governments, but an actual examination of budgets of all these Governments and a visit to foreign-trade offices of two of them convinced me on this point. In my opinion our Department of Commerce by the year 1916 had more machinery for promoting foreign commerce than similar agencies of Great Britain, Germany, and France combined. And yet at that very time I frequently read press statements lamenting our own lack of facilities.

The largest exporting and importing firms in this country can find something in the Commerce Bureau's records that is of practical value to them. As a matter of fact a number of the leading concerns utilize current trade and tariff information published by the Bureau to check up their people abroad and to secure a broader point of view of certain subjects.

It was Mr. Brand, too, who pointed out the danger of duplicating rather than supplementing the service offered by the Government. He had observed, while a Government bureau head, that many organizations were sending out to their members information already procurable from Washington.

Alfred L. Smith, of the Music Industries Chamber of Commerce, told how, during the last ten years, the national trade associations

had developed cooperation in transportation, better business bureaus, trade extension, and so on, whereas not more than half a dozen of them have developed foreign trade departments. The three things possible for such departments to do, he said, were to supply information, advertise wares abroad co-operatively, and educate the members in methods of doing business abroad. In telling of the difficulties encountered in making musical wares known, he said:

I wonder to how many of you it has occurred that the individual manufacturer in this country who engages in a foreign advertising campaign is very much handicapped indeed if a particular line of industry in which he is engaged is not well known abroad? We found, in surveying the foreign market, of pianos, for instance, which is one of our products, that in some foreign countries it was

almost impossible for the best American piano made to get a footing, even when it could compete on a price basis, because that market thought Germany was the only country that could make a decent piano, when as a matter of fact Germany cannot make a decent piano. So our first problem was to go abroad to convince foreigners that the music industry in this country was supreme, but also that we were not only supreme and could deliver the goods but that we could deliver them in the right way. It means work at home in educating our people in how to conduct foreign trade.

O. K. Davis, secretary of the National Foreign Trade Council, told how that organization came into being, and the scope and educational purpose of its annual conventions. Notice of the convention held in Cleveland last month will be found elsewhere in this number.

To Keep the Flag Afloat

The Government can cease to compete with private operators and it can give the marine its support as our competitors do

THE DAYS of fabulous ocean rates and cargoes that begged to be taken, have given way to the more severe—and more natural—times of competition in service and price. We have the ships. We got them at a great cost, it is true, but the thought to be held is that we have them. And the thought is easier to hold than the ships themselves in competition with foreign subsidized steamers operating at a much lower labor cost.

Such facts as these faced the shipping men who gathered at Atlantic City at the call of the National Chamber of Commerce. Briefly, their diagnosis was this: the Government must get its ships into the hands of private owners both to save the taxpayer's money and to furnish our industries with a competent service. Also, the American shipowner must have the support of the Government if he is to compete with the government-supported ships of certain of his rivals. The sense of the meeting was that this aid should be direct, and not such roundabout schemes as preferential duties and differential railroad rates.

William Fellowes Morgan, president of the Merchants Association of New York, was skipper of the meeting, which was opened by Marius de Brabant, president of the Los Angeles Pacific Navigation Company. Mr. de Brabant told of the difficulties his company had in getting ships from the Shipping Board and how they were unable to continue the operation of these vessels when their competitors began to undermine their rates. He was very definite in his ideas of what was needed. Here they are:

We must sell our products in competition with other nations. We must buy from them, too. Every Chamber of Commerce in the United States should have a foreign trade committee to spread this propaganda so as to create in our business and farming communities a better understanding of its importance.

Our young men should go abroad. We must learn foreign languages and as our foreign business grows the need of ships will be felt.

A Government subsidy large enough to amortize the greater cost of building, in addition to the greater cost of operation under American standards, is perhaps the most practicable method, and then proper coordination of the different Government agencies to bring about a more economic distribution of the traffic through the different gateways.

Harbors are national assets—that means not only to serve their immediate territory but the Nation's business as a whole. Industrial congestion in the East can be remedied by affording the Pacific Coast a measure of protection in transportation facilities,

We need a national coordinated policy in our transportation fabric. The inland rail haul is a part of the through line of which the ship is also an element.

Foreign flags are rapidly regaining their pre-war efficacy and surely, if the time-honored Republican policy of protection to infant industries was ever justifiable, protection of our newly created merchant marine is in order.

We have to amend our maritime laws. Most of our legislation is restrictive instead of constructive. The coordination of those elements should give our present Government-owned vessels a value which should permit replacements or additions through building in our own shipyards on the normal peace basis of costs.

We are all agreed that private owners should operate our merchant marine. Let us create a market for our ships by making their operation profitable to the extent that they may permanently compete, not with one another, but with foreign tonnage, which is rapidly regaining the ascendancy.

It costs our railroads approximately \$1.15 to manufacture a dollar's worth of transportation. That is due to the fact that one Government agency controls the gross income through the fixing of rates and another Government agency controls the largest item of expense, the cost of labor. These agencies are not coordinated.

I dare say our present cost of manufacturing a dollar's worth of overseas transportation is far in excess of the railroads, due to the same causes, and in the case of the ships, the Government, that is to say, the taxpayer, absorbs the deficit. Surely a well-regulated subsidy would cost far less and create the necessary initiative to keep our efforts going.

The comments of Charles F. Dutch, of Boston, on the subject were received with great interest. He was formerly Admiralty Counsel of the Shipping Board, therefore his views of the difficulties and possibilities of the Board carried double weight. After pointing out that all sorts of duties had been loaded upon this body and admitting that it had failed to function properly, Mr. Dutch inquired:

Why not borrow from the experience of business? I think the answer (to the problem) is the combination of the big executive and his board of directors. That is all there is to the modern business corporation whether you call that big administrator president, chairman of the executive committee, or general manager. We have clearly demonstrated in this country that you cannot get effective administration with a plural-headed outfit.

Mr. Dutch then showed how, in his opinion, the weakness of the Board was not in its personnel but in the way it was "stacked up."

How does it work? Any man who is disgruntled

with the way he has been treated can get his Congressman or his Senator to go to the commissioner he has the best access to and pour his troubles into the commissioner. The commissioner has got to listen to him, not because in Washington you are supposed to listen always to a Congressman, but he has got to listen because he is an administrator and he cannot chuck his job. He may have selected a director of sales, or some other department, but that is only an agent for him; his is the responsibility. Now, that never has worked; it can't work.

Mr. Dutch said that, to consider the least change that could be got from Congress, the chairman of the board might be designated as the head and the other members put back in the position of a council. If more could be done, get rid of the sectional representation and cut the number from seven to five. Mr. Dutch did not favor the formation of a Marine Department with a cabinet officer at its head, nor did he favor the transfer of functions of the Shipping Board to the Department of Commerce.

Winthrop L. Marvin, vice-president and general manager of the American Steamship Owners' Association, New York, gave some concrete and convincing examples of the lower wage scales of our maritime rivals:

It is Great Britain, Norway, and Japan, with their large and active merchant fleets, that are the most formidable competitors of the United States today upon the ocean. At present, with more ships than cargoes to carry, and with the closest and intensest competition for every cargo offered, the fact that the monthly wage cost of the American steamer is \$5,315, as compared with the \$3,924 of the British ship, the \$3,376 of the Norwegian ship and the \$2,869 of the Japanese ship, is of itself sufficient, generally speaking, to bar the American steamer out of the bulk cargo business, except in the case of the steamers of the Shipping Board, where the cost of an unprofitable voyage is assumed by the national treasury.

It is sometimes asserted that the factor of wage cost is such a negligible factor, as contrasted with other items in the cost of operation, that it need not be considered for a moment—a mere matter of a slight per cent.

This involves a very serious misunderstanding of the situation. It is true that in some types of steamers the wage bill amounts to no more than 6 or 7 per cent of the cost of operation, but in other ships it may run as high as 25 per cent. In any event, the wage cost is anything but a negligible factor, in a time like the present, when the question whether an American ship or a British ship or a Norwegian ship or a Japanese vessel is to secure a proffered cargo may be determined by a difference of a few cents per ton.

The difference in wage cost between an American steamer and a British steamer of same size and character is \$1,391 per month. Assuming that an 8,800-ton steamer would require six weeks to make a voyage with coal from Virginia to Europe and to return in ballast, the British steamer on the basis of her wage scale alone would have an advantage over the American of \$2,086 in bidding for the cargo. This is the dominant reason why foreign ships have driven American steamers almost entirely out of this export coal business, under the extremely low freight rates of the past six months.

Where Federal law and regulations can be amended, is in those points where more men are required in the crew of an American ship than in the crew of any of its rivals.

Mr. Marvin observed that in the references above he dealt with only one phase of the problem. He suggested that the higher cost of operation could be met, so far as the crews were concerned, by a naval reserve retainer such as the one that had served Great Britain so well. Before the war England was paying retainers to between 30,000 and 40,000 men—men who were worth their weight in gold when the war came.

Frank C. Munson, president of the Munson lines, thought that such payments might help reduce "the high cost of waving the American

flag," but he added that some form of subsidy was also necessary.

Steamship owners, Mr. Marvin brought out, are not asking the Government to make up any inefficiency on their part with taxpayers' money. He said that in former times Americans had operated their ships with smaller crews than competing vessels. Government officials had supported his association in a recent move to cut down the crews of cargo steamers and the way was now open for a considerable reduction.

There was a spirited discussion over what ought to be done with the wooden and lake type steamers that are tied up by the hundreds at several ports. There was some opposition to the idea of selling them to foreigners. Mr. Dutch didn't think that it would do much good to keep them under the American flag. He pointed out that it had

always been the boast of the American manufacturer that he scrapped his inefficient machinery. As to selling them to rivals, Mr. Dutch said that he couldn't imagine anything better than "to load our competitors with these wooden ships and the smaller steel ships." Germany had at one time offered to buy twenty-five wooden ships and he could not think of any better punishment than to doom the Germans to sail them.

A resolution urging the "immediate and faithful" enforcement of the Merchant Marine Act of 1920—the Jones Bill—was defeated. The meeting declared itself in favor of steps to encourage Americans to engage in shipping through national aid wherever necessary; it approved the policy of enrolling competent American officers in the naval reserve, and recommended that this policy be broadened and made permanent by Congress.

It's Still a Question of Prices

Falling off in demand forces American manufacturers to study the reduction of wages and overhead

THE PROBLEM of prices is the greatest factor in a renewal of business activity. The main elements affecting the price of a manufactured product are materials, labor costs, overhead, and profits. In an effort to put prices down to a point where goods will sell freely in the present period of business depression most manufacturers already have sacrificed largely their previous rates of profits and today they are studying in a most careful manner methods of adjusting labor and overhead costs.

In the recent gathering of America's business men at Atlantic City, manufacturers present held a special meeting for the purpose of exchanging ideas and information respecting these manufacturing problems. The general impression was that wages will fall along with prices and that the overhead obtaining in normal times should be applied in times of curtailed production, thus avoiding price increases.

The wage question was gone into at some length. Homer L. Ferguson, president of the Newport News Shipbuilding and Drydock Company, who served as chairman of the meeting, expressed what appeared to be the general view when he said:

The question of wages is not only of vital concern to those interested in manufacturing, but also to everyone else in the country, and at the present time some of us think that the chief offenders are not in the fabricated production group, but that possibly in that connection might be named the railroads, the coal mines, and the building trades.

The lowering of wages is a necessity. We are the victims of circumstances. It is not a popular job to lower wages and some of us are gritting our teeth and making up our minds that we will have to be fairly unpopular for quite a while. But it should be borne in mind that we have to join in the procession; that it is going to be done whether we join in or not, and that those of us who wish to keep our businesses alive are going to do it because it must be done.

Employers generally are not meeting the problem with sufficient courage, according to John W. O'Leary, of Chicago, who declared the present period of uncertainty would be prolonged by failure to face the facts.

Mr. O'Leary said:

I am hopeful that by proper discussion and by a constant sense of fairness and justice the employers will gradually undertake to meet the issue and readjust on a basis that will bring back a new level and a restoration of business. I do not believe we will be able to wait until the proper education is accomplished.

Discussion brought up the question of labor efficiency and the opinion was expressed by Clarence Howard, president of the Commonwealth Steel Company, of St. Louis, and others, that labor rules restricting the volume of output should be abolished if business is to return to normal.

Wage scale reductions should bear some relation to the decline in the cost of living, it was declared by those present. Magnus W. Alexander, managing director of the National Industrial Conference Board, presented a number of interesting charts showing the relation between wages and living costs. He said, in part:

It seems to me that next to the assurance of earning wages at all—or, in other words, next to the problem of unemployment—the amount of his wages is the chief concern of the wage earner in his daily work. And inasmuch as the wage is the price of labor, its relationship to other commodity prices will determine the real value of the labor wage or the labor price. Obviously the principal relationship is to what is commonly called the cost of living, by which is meant the aggregate price of the necessities of life, the possession of which will enable a wage earner to maintain himself and his dependent family.

As a matter of social justice a wage earner, even at the lowest plane of skill and productivity, should, if he is employed on a full-time basis, earn or receive at least a wage that will permit him to maintain himself and his family. A smaller wage would throw such wage earner upon charity, which will in the long run prove detrimental to his manhood and to our national character. If, in his case, the minimum cost of living over a certain period should

rise 100 per cent, as a matter of social philosophy and justice his wage would have to be doubled to enable him to maintain himself and family.

The subject of proper adjustment of overhead costs during varying conditions of business brought an interesting discussion. L. V. Estes, of L. V. Estes and Co., Chicago, presented a carefully prepared paper which pointed out that losses are inevitable at this time. A number of views were expressed by others. The sentiment was that now is the time to cut costs as much as possible.

F. W. Mains, of Pittsburgh, declared that manufacturers should pay particular attention to production costs, and pointed out methods of saving. Said he:

There has been a good deal of talk with respect to liquidation of labor, or liquidation of wages. I am not at all certain that the most important problem in most places is reduction of the wage rate. It has been my observation that there are many concerns that are very much interested in reducing wages that are not so much concerned with perhaps larger wastes through inefficiency, through improper planning, improper supervision and through lack of interest on the part of employees.

Production statistics are a great need, especially at this time, and the question of statistics was given attention by the manufacturers' group. The situation was ably presented by M. C. Rorty, chairman of the committee on business statistics, American Statistical Association, and F. L. Lamson, of the Norwalk Tire and Rubber Company, among others.

Mr. Rorty declared:

Extreme fluctuations in price levels and the sudden and violent changes in business activity, which have followed the war, have made it vitally necessary that business and industry as a whole shall have some general measures of business trends. Such measures have been established in the past mainly on the basis of banking and other statistics which dealt primarily with money values rather than with physical output and movements. There has been an increasing recourse to statistics of physical production; but unfortunately such statistics, until very recent years at least, have been limited to agricultural products and raw materials and there has been almost an entire absence of monthly statistics of fabricated production. Yet it is obvious that no true picture of business activity can be drawn that does not include an adequate representation of the physical volume of output in the major lines of fabricated production.

Mr. Lamson proposed that departments of the United States Government undertake the job of preparing and issuing dependable statistics. He suggested that the Departments of Commerce and Labor create jointly in each industrial community a Community Board for collecting statistics, and that State directors be appointed.

The Menace of Modern Pirates

Loss of goods through pilferage has become so great that insurance men include it in their subjects of first importance

LOSSES last year by theft of insured commodities in movement toward the consumer amounted to about twenty millions of dollars. This means insurance companies paid out that amount, and as insurance goes it is not large; but the fact that for every dollar of premium there are about two dollars of loss has brought the situation to a point so critical that many companies are threatening to cease offering theft and pilferage protection unless it is remedied.

A conference will be held in the near future, either at the direction of the United States Shipping Board or of the committee on Merchant Marine and Fisheries of the

House, to consider this problem, which affects all shippers over common carriers, by land and sea. Already the Trade Protective Association, Inc., has been organized in New York with a view to reducing thefts, and it may become national in scope. Aside from its activities, an effort will be made to put greater responsibility on the ocean carrier.

This question is one of the foremost confronting insurance men. It was discussed at the convention of the Chamber of Commerce of the United States at Atlantic City by Dr. S. S. Huebner, expert adviser on insurance to the Shipping Board and to the

STRAIGHT LINE METHODS

Balanced Business

No sales department, however well organized, can operate successfully with indifferent buying and producing facilities. Production, on the other hand, however efficient, becomes overproduction, if not balanced by capable selling. Balance between departments must back up co-operation if waste, unnecessary overhead, shut-downs, are to be avoided.

Balanced Business, which means Better Business, is almost wholly dependent on sound Accounting Methods. Timely and dependable Facts and Figures from every department are the balance wheels—the executive's surest guides. All intelligent progress, broader missions, co-ordinated strength, larger profits—depend upon them.

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ATLANTA
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FORT WORTH
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DENVER

STRAIGHT LINE METHODS

House committee mentioned. Another question discussed there was State monopolies of insurance, such as workmen's compensation. In regard to this the views of Edson S. Lott, president of the United States Casualty Company of New York City, will be found elsewhere in this number. In closing an address on "Government and Marine Insurance," Dr. Huebner said:

Attention should be called to the appalling theft and pilferage losses, which have reached enormous proportions within the last few years and seem to be increasing rather than decreasing.

The magnitude of the problem is indicated by a comparison of rates for insurance covering marine hazards only with those for insurance covering such hazards plus the risk of theft, pilferage, and non-delivery. A tabulation of rates, with respect to many of our foreign markets, shows that insurance rates are in many instances increased from five to ten times by the inclusion of theft and pilferage and non-delivery, and in some instances twenty-fold.

Our moral fiber seems to have disintegrated to a remarkable degree. The seriousness of the problem is universally admitted and there can be no doubt that present losses represent an appalling economic waste which is proving detrimental to the development of our foreign trade and a needless burden on commerce. Many underwriters have protested vigorously against existing conditions. A considerable number have withdrawn from the field altogether and others seem to show an inclination to follow the plan of making the shipper a co-insurer for a portion, like one-fourth, of the risk.

The solution is not easy and is now receiving the attention of various branches of the Federal Government. It is desirable that something should be done at the earliest possible date. On the one hand, consideration should be given to the advisability of adopting legislation which will make carriers more responsible for loss of this character resulting from their negligence. Under present conditions, it is argued, there is little inducement on the part of ocean carriers to exercise reasonable care and diligence. Too often the risk of theft, pilferage, and non-delivery is transferred entirely to underwriters, who, it should be remembered, do not have the cargo within their custody and are thus not in a position to exercise any control.

Other parties, desirous of effecting a change, suggest that much good can be accomplished by cooperative effort between the several interested parties—underwriters, shippers, ship owners and bankers—through a series of conferences under the

general guidance of some governmental authority like the Shipping Board, with a view to ascertaining the most practical methods of improving the situation. The exponents of this plan contend that present losses are not traceable to any one cause or to any one state of the trade route, and that a co-operative consideration of the problem, by all interested parties, is therefore desirable.

Peyton Bethel, president of the Falls City Clothing Company, of Louisville, and C. A. McCotter, secretary of the Grain Dealers' Mutual Fire Insurance Company, of Indianapolis, discussed insurance as a credit factor. Concerns which carry policies on plant or personnel, workmen's compensation, liability insurance or fidelity bonds, find these have an important bearing on their credit rating. In dealing with this subject Mr. McCotter said:

With all business, insurance faces a new and somewhat desperate situation. Large values of past accumulations have been destroyed by war, and there is uncertainty and unrest in the minds of the people of the earth as to how they are to replace the loss of life and property, and have again that equilibrium of human affairs which means peace. As the population of a country and the accumulation of wealth (used for the comfort of the people, in the past) has been by natural growth of conservation and industry, so must rehabilitation be accomplished. New theories may be advanced, and "short cuts" proposed, but there are economic laws which, like gravity, are always silently working to bring one back to earth.

With so much of the wealth of the world destroyed, there will be more requirement than ever for credit. Credit can be granted only upon the assurance that the conditions of the contract be carried to completion. The creditor, therefore, needs to consider the conditions surrounding the loan together with the ability of the debtor to meet his obligation. There are contingencies which the debtor cannot prevent or is careless in preventing. The creditor requires protection against these, and so there are developed almost as many kinds of insurance as there are contingencies. The supply of insurance is always equal to the demand.

J. C. Adderly, president of the Integrity Mutual Casualty Company, of Chicago, and Burton Mansfield, Commissioner of Insurance for Connecticut, were other speakers.

The Schools' Call on Business

Need of help from the commercial interests of the community does not end with the paying of taxes

AMERICAN business men are beginning to recognize their responsibility toward the public schools. They are coming to realize that money expended wisely in public education is an investment in good citizenship that will pay large dividends in the future, and an insurance against revolutionary conditions existing today in countries where there is a very high percentage of illiteracy. They subscribed to the theory that the security of democratic institutions depends in a large measure upon an intelligent electorate. These are some of the thoughts elaborated upon by several hundred business men who discussed education as the business man sees it at the group meeting of the Chamber's Civic Development Department at Atlantic City.

As one of the speakers put it, education is, broadly speaking, a business proposition which unfortunately has not had the attention of the average business man that it deserves. It has been too long left in the hands of politicians and underpaid school teachers. The business man's interest usually stopped when he paid his taxes.

During the war the business man learned

that one out of every four men in uniform could not read simple English. He saw social and industrial unrest spread fastest where illiteracy was greatest. A man who cannot read or write is necessarily ill-informed and credulous of misrepresentations because he gets his information by word of mouth. He is easy prey for the soap-box orator.

All these things have served to change the business man's attitude toward the public schools. They have served to make him realize more plainly the duty he owes to the community and the state to help provide at least a common school education for everyone. With this change of mind, he has come to look upon the public schools as a very important asset of every community. If they function well they will yield large returns in an intelligent, efficient, and patriotic citizenship; if they fail to function properly the people must suffer the loss. It has been estimated that the country loses through illiteracy something like \$850,000,000 each year in industrial accidents, inefficient workmen and various other ways.

At Atlantic City the business men gave attention to the character of the teachers

employed in the public schools. Only competent, well-trained teachers in hearty accord with American ideals should be employed in any public school. A teacher of this character, who is able, not only to instruct, but to develop character and the very best qualities in her students, cannot be paid what she is worth to a community; while a poor teacher, lacking in these fundamental qualities, is a liability, and dear at any price. Consequently it is important for business men to see to it that the public schools are supplied with the very best teachers.

To do this, salaries, teaching conditions, social recognition and the like, one speaker pointed out, must be such that the very best will be attracted to, and held in, the teaching profession. This same speaker said that in securing teachers, as in all lines of business, we get what we demand and what we are willing to pay for.

R. Goodwyn Rhett, of Charleston, South Carolina, former president of the National Chamber, who presided at the meeting, made a special plea for character development in the public schools.

"Every human being," said Mr. Rhett, "is born with his own mind and his own nature, and the question is 'what is he going to do with it?' What of the education of our nature, the spirit that directs the mind upward or downward, the character behind it? Can we afford to admit that we should not be taught anything about the necessity for directing that mind nor its training along right channels? When this Federal Government is talking about aid to the States, it has seemed to me that that aid should be based upon its development of the character of students, so that the man who is educated should be educated toward building up the Government and building the Government along the line of a Government by, for and of the people, a Government of equal opportunity to all."

Payson Smith, State Commissioner of Education of Massachusetts, put his finger upon an important defect in the American public school system when he said that the public schools are making the mistake of trying to teach the child "what to think" instead of "how to think." As a result of this mistake, he said, the child's mind is being crammed with many useless facts without being taught how to make use of them.

He frowned upon the mistaken notion that the rural schools are only a training ground for the farm. He said to think that way was just as illogical as to suppose that the girls and boys of Lynn, Massachusetts, which is a great shoe manufacturing city, ought to be trained in the field of boot and shoemaking. The chief function of the American public school, he said, should be to open the door of opportunity to every boy or girl according to individual tastes and talents.

Mr. Smith pointed out that rural education is "the one dark spot" in American education today, and that there is urgent need for the replacement of "absentee leadership" for "leadership on the ground" in the field of rural education.

According to Mr. Smith, there is urgent need for the study and investigation of rural school education. The rate of turnover in the rural teaching profession is 50 per cent, as compared with 10 per cent in the cities. As a result of this condition rural school education lacks a consistent program and educational supervision is not as intelligent as it should be.

The American people must come to the aid of rural education and help to equalize educational opportunities as between the chil-

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From Adolph Treidler's painting of the bank and office building under construction
built by Hoggson Brothers Ltd. 100 Avenue of the Republic, Terre Haute, Indiana

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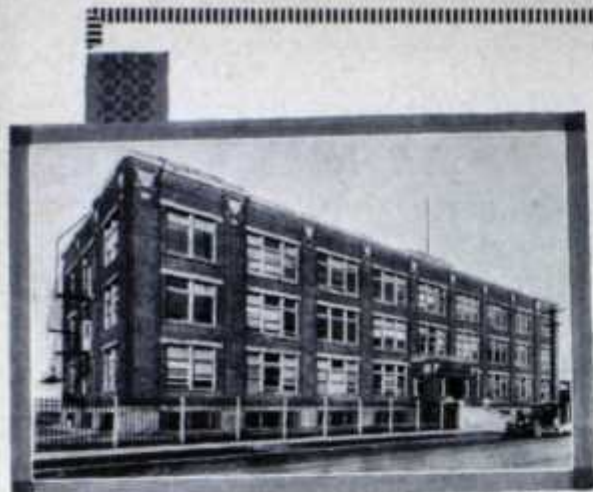
WE are building the finest bank-and-office structure in Terre Haute for the Citizens Trust Company. A large folder, nine by twelve inches with a reproduction of a painting in full colors by Adolph Treidler beautifully illustrates the edifice. The folder also tells how the bank through one contract with our organization, obtained the services usually divided among the architect, contractor, equipment engineer and decorator—all at a predetermined and guaranteed cost.

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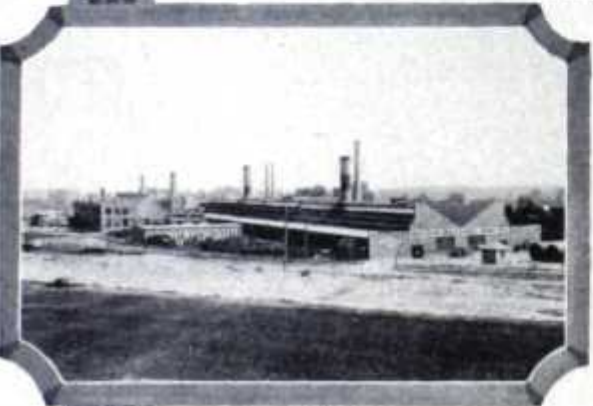
Office Building, Link-Belt Co., Chicago



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dren of the city and the children on the farms, he said. Funds must be provided for consolidated schools and for junior high school facilities if the rural school education of the country is to be placed upon an adequate basis.

Bruce R. Payne, president of the Peabody College for Teachers, of Nashville, Tennessee, further emphasized the problems outlined by Mr. Smith. Pointing to the treatment accorded the farmhand, as compared with the rural school teacher, Mr. Payne said that it brought up the question: "How much more valuable is a cow than a kid?" Rural school attendance, because of existing conditions, is only 60 per cent of city school attendance, and rural school children average two years behind city children in the grades.

A. J. Todd, labor manager of the Kuppenheimer Company of Chicago, talked about "The School and the Home," and showed how the exigencies of modern industrial life are resulting in the transference of certain duties and responsibilities from the home to the school.

The High Cost of Ignorance

Lack of knowledge of distribution facts has played a big part in bringing business to its recent plight

THE HIGH COST of ignorance, particularly of merchandising conditions, was one factor that was clearly brought out in the lively discussions of the Department of Domestic Distribution.

Leonard P. Ayres, vice-president of the Cleveland Trust Company, in his paper on prices printed elsewhere in this number of *THE NATION'S BUSINESS*, had shown how the lines of wholesale and retail prices compared and was asked his opinion of the criticism aimed at the retail merchant:

"What has happened," said Mr. Ayres, "is that the big retail merchant, who is able to go to his bank and borrow—and some of them borrowed very heavily—could cut his prices and sell and keep up his volume, while the small retail merchant has not cut his prices to the same degree, has not sold, has not kept up the volume, and if you will examine week by week the records of failures you will find the small retail merchant is the man who is failing."

Jesse I. Straus, of R. H. Macy and Company, came back to the subject later and defended the small distributor. He asserted that the small merchant, if he had sinned, had sinned not wilfully but because his sources of information were not only inadequate but frequently incorrect.

"The criticism that is being made of the retail distributor," said Mr. Straus, "that he has not reduced his prices in proportion to wholesale prices, is due to the fact that he is, by and large, unable to analyze the situation as Mr. Ayres has analyzed it for us. He is, in fact, largely dependent for his information on the word-of-mouth facts or opinions that he gets from the salesmen that visit him in his home town. Those salesmen, in the main, are not economists. They know and retail the stories that are given them by their home organizations.

"Now, if you will recall, for the period shortly after the Armistice and down to within a very few months, the manufacturer and the wholesale distributing organizations of the country had a great deal to say about scarcity and high prices. They sent their representatives throughout the country—and I remember this one particular case about a year ago—with the suggestion that the small

The city school problem in the United States was discussed by Edward C. Broome, Superintendent of Education of Philadelphia, in a forceful speech in which he pointed out the dangers of over-experimentation with new educational schemes or "cure-alls." The problem of immediate importance in the larger cities is the provision of additional school housing facilities and this is a long-time proposition. Next to this problem is the question of the education of the children of immigrants and the extension of health education work in the public schools. Mr. Broome stated that there is need for more intelligent school boards of control and increased financial support of education.

Mr. Broome talked plainly to the business men regarding their responsibility toward the public schools. To quote him:

"Teach the public to be concerned about their schools, as much interested in them as they are in baseball and prize fighting; teach the business men to be as much interested in the education of their boys and girls as they are in the balance sheet of their business."

retailer should place his orders well in advance of his needs; that in any event he would probably not receive more than 50 per cent of his orders, and that he would not have much on his shelves to sell unless he anticipated his needs considerably.

"I was in very great disagreement with those opinions, and was much criticized for giving my opinion on the other side. I do believe that a great many small merchants loaded themselves in anticipation of a 50 per cent delivery. They ordered 200 per cent of their needs, in the hope of getting 50 per cent of it. In other words, they overordered.

"The conditions did not come forth as the manufacturers and wholesalers had indicated, with the result that there were a great many cancellations, which led to much disappointment and much criticism, and there were a good many orders filled at the high point at which credit had been asked at the bank, and which the small merchant was unable to market at a profit. The small merchant finds himself unable to meet his obligations

at the bank, and accordingly is inventorying at his cost and is trying to market on the basis of that cost. That is the situation, and the merchant is not to blame for it.

"In the past he drew his information from the best sources he had, the people in whom he had confidence; in other words, the manufacturer or wholesale distributor. I do not want to cast any aspersions on them and say they wilfully misled him, but at all events they did mislead him, and they are to blame, if any one is to blame, for the fact that retail prices have not declined by and large throughout the country to the same degree as wholesale prices have."

One of the lessons read to the distributors by W. F. Hypes, Sales Manager of Marshall Field & Co., was this:

"Merchants should bear in mind the fact that it is just as detrimental to business for them to speculate that prices will be lower as higher."

Mr. Hypes gave these five points that a merchant must bear in mind if he would face the future with confidence in a time of depression and lowering prices:

Elimination of waste, reduction in expenses, smaller profits, a sure source of supply, a higher rate of turnover.

Marketing of food is a problem which is being attacked from every angle, and Julius H. Barnes' paper, following the lines of his article in *THE NATION'S BUSINESS* for April, provoked instant discussion. Congressman Free, of California, told of seeing lemons plowed under because it did not pay to market them, while on the Atlantic coast the fruit sold at 40 cents a dozen.

"It seems to me," he went on, "that this body (the Chamber of Commerce of the United States) and our Government should have some great information bureau by which to reach those farmers in the Far West so they would know conditions, so that they would not have to dump a large supply and have the sort of thing happen that happened to the cherry market in California. Independent producers send them to Chicago and New York. Perhaps on the same day a trainload will come into the same market, or several trainloads, with the result there is a very great waste, and the price is forced down correspondingly.

"I believe a new system of marketing those products has got to be considered by this body and by Congress itself."

Cooperation vs. Control

Business men interested in the country's natural resources discuss what the Government can do to protect supplies of timber, coal, and oil

EMPHATIC objection to Government management of business was voiced before the meeting that took up natural resources production. Speaking for the coal industry, T. H. Watkins, of New York, president of the Pennsylvania Coal and Coke Company, declared that "Government co-operation—not Government interference—is essential."

The group went into the question of the Government's relation to natural resources particularly coal, forests, and oil.

We are timid of inviting the Government or assisting the Government to supervise our industrial problems (said Mr. Watkins). We have seen how our railroads have been regulated out of efficiency and out of credit. The Government and State authorities can blaze and clear the way for the introduction of such economies by removing the restrictions which prevent at the present time private capital from entering this attractive field.

"Too rigid regulation and not enough flexibility has discouraged, during the past few years, the investment of capital in public utilities.

Government cooperation—not Government interference—is essential. We have seen our railroads and many of our public utilities regulated out of efficiency and out of credit. We have seen our commissions and our legislators ignore common sense and equity responding to the clamor of groups that were supposed to have the vote. Suspicions of the motives of all of our captains of finance and industry were prevalent and cooperation was nil. Distrust must be replaced by confidence in our Government relationship to our coal resources.

Mr. Hoover appears to make it clear that many of our various Government departments need reorganizing, and we should all help in putting them on an efficiency basis, functioning for the common good, but we don't want them reorganized on a basis that will make it necessary for us to get a permit before we can sell a ton of coal, or buy a suit of clothes, or a loaf of bread.

None of us wish to spend all of our time in Wash-

ington, or to conduct our business from there, but we should insist on maintaining our trade associations, with headquarters in Washington, this Chamber of Commerce, our National Coal Association and others, and we should continue to use our representatives to help promote efficient government and wise legislation, and I think we should also insist on the union organizations maintaining their headquarters at Washington (although Mr. LaFollette will probably see to that), but they should be there and subject to the same publicity of their practices and aims and expenditures, and with the same responsibility to the public for their actions and their contracts as our Associations.

James W. Toumey, dean of the Yale Forest School, who dealt with the forest situation said that provision for a continuance and sufficient supply of timber is a great, far-reaching social and economic problem which must be worked out by the present generation, and that regrowth and fire protection are more important than regulation of cutting. Mr. Toumey said:

As the growing of timber cannot be left to private initiative, authority imposed on the private owner of forest property in order to attain the re-

growth essential for the perpetuation of our forest industries must come through the Nation or State. Mandatory laws, however, imposed by either the Nation or State, which place financial burdens on the private owners of forest property, would be ineffectual, in my judgment, in attaining the object desired. Our economic structure is built on the inviolability of private property and just compensation when such property is restricted in its use in order that the public may benefit. If mandatory regulations are imposed on privately owned forests in order that the public may benefit, and at a financial loss to the owner, it is reasonable to ask the public to pay for the benefit received.

What to Do with Your Losses

Some timely suggestions on the difficult art of deflation, with a disclosure in regard to a certain small word that is one of the biggest in the language of business

By L. V. ESTES

President, L. V. Estes, Incorporated, Industrial Engineers

OUR PRESENT supply of goods exceeds demand with the result that prices have precipitately fallen. In the spring of 1918 we observed exactly the reverse of the condition which we are now experiencing; that demand exceeded supply with the result that prices went skyward.

These violent fluctuations seem to indicate conclusively two things: First, that there has been in the past no definite relation maintained between costs and sales prices; and, second, that until a much more expansive and flexible market for American products is established, we are likely to witness violent upward and downward fluctuations in prices with the consequent effect upon wages and upon the cost of living.

It would appear that the only real solution lies in an effective regulation of supply to be more nearly in accord with demand. This may seem to be axiomatic, but at a given time, within a given area, at least, in domestic markets, there is a known potentiality, and beyond this we reach a saturation point. With an export market developed, however, which is supplied from various sources, our volume may be stimulated or curtailed in accordance with our supply of materials and labor, without injustice to the consumer.

Under the subnormal conditions, which exist at the present time, there are many difficult problems to face, one of the most embarrassing and perhaps the most difficult being that of inevitable deficits, if not actual liquidation.

Many concerns, which have operated profitably for years and which have grown to be among the largest in the world, have undergone a tremendous strain and are not out of trouble yet.

Losses must be taken. They are inevitable in almost any conceivable case. Therefore, it becomes a matter of taking those losses intelligently and getting the business on to a firm foundation, where a competitive market can be fairly met. No business concern in the world can hope to enter a competitive market with inflated inventories and take contracts at or near actual costs as shown by their records. The same condition applies very largely to labor costs. Wages must be liquidated just as inventories must be.

Once this process is completed there only remains the return of active and available demand. I say available demand, because we all know the condition of the European market and the great need for our products,

and yet, under existing conditions, this demand does not help the domestic situation.

Let us take the case of a manufacturing concern which operates two plants under approximately the same conditions, as to availability of material supply, labor supply, and transportation facilities.

They manufacture two products only. In one plant they make vacuum cleaners complete and in the other plant they manufacture washing machines complete. You will note that we have chosen two distinctive types of product for our illustration.

These two plants have operated normally for a considerable period and statistics have been compiled which show that the average cost to manufacture a vacuum cleaner is \$47.00 and the average cost to manufacture a washing machine is \$34.00.

A highly competitive market develops in both the vacuum cleaner and washing machine lines and we will suppose, to carry out our illustration, that demand is excessive and the market will absorb maximum output at top prices. At this point, you will note, the manufacturer has an opportunity to accumulate a surplus, or to bank extra profits, due to an excellent demand and a very favorable price which yields a high return.

This is a false condition, of course, and eventually the break comes. Buying stops and the manufacturer has a large inventory on his hands and a lot of cancelled orders. He curtails his output, or, as has been done, shortsightedly, we believe in some cases, shuts down his plants entirely and discharges his employees.

At this point we may observe that, having no income, he must of necessity pay for his current losses out of profits previously made. By current losses we here refer to such employees as may be necessary to watch buildings, maintain heating plant, make necessary repairs, etc.

Demand becomes somewhat stimulated in washing machines and salesmen are put into the territory and they are able to get orders. Here the first serious question arises.

"If these washing machines are sold at competitive prices which have been cut considerably, how much loss must I stand?" At this point further cutting of prices, in order to stimulate demand, usually results in further stagnation. We have in recent months seen illustrations of that condition.

If this manufacturer has accurate and properly compiled cost statistics at this time,

he can balance his losses against his profits during the first or upward swing of this cycle and know exactly where he stands. More often, we venture, the only consideration is, "Cut to meet competition and we will figure the loss afterwards and hope we will be able to continue in business."

Orders come in at low prices in medium volume. These orders are put into the plant for processing and assembly. Now comes the most important question. What is the cost of manufacture of these machines?

We wish to emphasize here the fallacy of an incorrect overhead distribution. We now have the washing machine factory operating at part time and the vacuum cleaner plant idle. Expenses and fixed charges, however, are accruing in both plants and it now becomes a question of how they should be distributed.

The usual practice and the easy way is to total all of the expenses of both plants and apply this total to the productive labor in the washing machine plant. No less and no more is being done in a great many business houses today, ridiculous as it may seem.

The logical and obvious thing to do, of course, is to apply to the washing machine plant overhead only such items as properly apply to that plant, and figure the cost of the machines. The balance of this expense is kept as a separate item to be deducted from profits.

When the correct total cost of these machines has been computed, in the manner described above, it is deducted from the total net sales of these machines and we have the gross profit as it actually exists. From this gross profit we must now deduct the unapplied or unearned overhead and other expense incident to administration and selling and we obtain a correct statement of our net profit. This figure obtained in this way corresponds exactly with the net profit which we should have gotten by charging the total of all expenses directly against our cost of manufacture of washing machines.

American business men are learning many lessons from readjustment. As Herbert Casson aptly puts it: "The essence of business success is not to make good goods; it is not to have large sales; it is not to have a host of employees. It is TO HAVE SOMETHING LEFT."

The biggest word in the language of business is not gross, but NET.



Installation of Phoenix Knitting Works, Milwaukee, Wis.

PHOENIX KNITTING WORKS

● 1997年 12月 10日
● 1998年 12月 10日
● 1999年 12月 10日



Das Unternehmen

10. *Journal of the American Statistical Association*, 93(463):1303-1310, 1998.

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第 2 版

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Business Declares Its Principles

Here is the course laid out by the commercial and industrial leaders of the United States as a guide during the embarrassments that have temporarily slowed our progress

ONLY by the light of many experiences can the American business man see around the problems that today are hindering the advance of industry. The most effective method of arriving at this end is by taking up in a common council the questions that are common to all.

Every year representatives of business are called together by the Chamber of Commerce of the United States for this purpose. Thus, through the exchange of experiments and ideas, determinations for the future are arrived at. The meeting just closed was devoted largely to the key-log of the present jam—what government can legitimately do to help business and what business can do for government. The declarations brought out by the Chamber's resolutions deserve the careful study of our readers:

American Enterprise

I This Chamber believes that the relation of government toward industry and commerce is primarily that of preserving equality of opportunity for all—an equal chance to every citizen to win his position in accordance with his character, ability and efforts. Individual initiative, strengthened by education, safeguarded by publicity, stimulated by active and free competition, is the guarantee of sound national progress. Laws and administrative acts should touch business enterprise with great care and only to preserve a fair field to all.

A wholesome standard of living is essential to general contentment. That standard depends upon the intelligence, work, and thrift of the individual citizen and improves as the total production of the country increases. Hence, restriction of production or obstruction to distribution must necessarily undermine that standard, resulting in injury to all citizens, of every class. We, therefore, condemn avoidable strikes, lockouts, and all combinations that needlessly limit output or curtail distribution, on the part of workers, owners, or managers of industry.

The foundation of all enterprise is primarily that of service to the community, and this service is most effective under private initiative. The community's valuation of that service, and its reward for it, are most fairly expressed when secured by individual initiative, under conditions of free competition. The value of and the reward for such service cannot be safely apportioned by the arbitrary decisions of government agencies.

An American Policy

II In his recent address to Congress, the President of the United States declared:
"We have witnessed, yea we have participated in, the supremely tragic episode of war, but our deeper concern is in the continuing life of nations and the development of civilization. . . . Our obligations in effecting European tranquility because of war's involvements are not less impelling than our part in the war itself. This restoration must be wrought before the human procession can go onward again."

The Chamber of Commerce of the United States most earnestly endorses this statement and urges that all Americans unite with the Executive in securing without unnecessary delay a sound solution of the problem involved.

World restoration will be influenced to an important degree by settlement of the relationship of the United States to the nations of Europe. It is equally clear that the return of our domestic prosperity largely depends upon this settlement.

We believe that the clear definition and positive declaration by the United States of its policy concerning the establishment and maintenance of world peace, and of order and understanding in the commercial intercourse of nations, is of greater importance than any other problem now confronting

our country and the world. We therefore urge that our national policy in this respect be fixed with all possible speed consistent with just recognition of our obligation, of the necessary safeguards to our institutions and interests, and especially of the rights of American nationals abroad.

International Debts

III Determination of the status of debts incurred during the war and due from other governments to the American Government and ascertainment of the exact amounts of principal and interest are essential to restoration of exchanges and advancement of our export trade. These problems should be taken up by our Government with the least possible delay and solutions found which are just alike to our allies and to ourselves.

Railroad Transportation

IV Safe and adequate rail transportation, at the lowest rates consistent with fair wages to employees and with just returns to the owners and also sufficient to insure constant growth and improvement in facilities, is essential to the upbuilding of the nation.

Reasonable returns on the fair value of the railway system of the country are necessary, not only as an act of justice to the owners, but also to attract new money for expansion, and to promote the safety of railway securities in which, to a large extent, are invested the assets of savings banks and insurance companies, in the stability of which the hard-working and thrifty of our population are so vitally interested.

Manifestly, proper aggregate earnings must be maintained, but rates and the relation of rates between various commodities, particularly the products of agriculture, should be established with great care and, in case of proved inequality, secure prompt correction.

In a country of great distances like the United States it is very important for the farmer, the laborer, the miner, the merchant, the manufacturer—in fact, every producer and every consumer—to have the widest distribution of commodities, and the railway system is the backbone of production and distribution, with which other forms of transportation should be coordinated, to the end that lowest rates, consistent with progressive development of facilities, may be obtained.

The unrivaled railway system of the United States was created through the courage, energy, brains and money of individuals. Managed and operated by its owners, transportation has been furnished to the people of this country of better quality and at lower rates than in any other nation.

The nation, speaking through the last Congress, decided that it wishes its railway system owned and operated by individual citizens subject to regulation by federal and state authority and that it does not want government ownership or operation.

The Chamber of Commerce of the United States reiterates its opposition to government ownership or operation. It believes that regulation is reasonable only when it is not so restrictive as to cripple initiative and when it permits prompt action by those responsible for results. Unduly restrictive laws retard the railways rather than assist them to meet the needs of our increasing population and commerce and, in the long run, work in the direction of increased rather than reduced rates.

Waterways

V Waterways afford opportunities for increasing the facilities of transportation available to our industries and commerce, and development of these facilities reaching into the central areas of agricultural production will provide cheap carriage by water and thus improve the competitive position of our agricultural products in world markets. In the development of waterways for navigation consideration should also be given to other uses, such as the generation of electric power.

Congress should make appropriations for improve-

ment and maintenance of commercially meritorious waterways projects, and in such appropriations should follow a policy of continuous development and maintenance.

The Nation's Roads

VI The importance of improved highways has already had recognition by the Chamber, and the highway development in the country has attracted wide attention. In order that funds now to be spent for highway construction may adequately serve the economic purposes which are becoming clearly recognized, the following fundamental principles should govern:

Bonds should be issued by states and territories, counties, or municipalities, and federal assistance furnished, only for portions of highway construction which are reasonably enduring and permanent in character.

Federal appropriations should be made only for assistance to state and territorial highways which will become a part of an interstate system.

Federal assistance should be continued only to those states and territories which adequately maintain highways for which there has been federal aid.

Most careful study should be made by the Federal Government in cooperation with state governments as to routes, the probable character of service over such routes, and the best form of construction to meet such service. These studies should include ultimate economies of location and design.

National Budget

VII The economies which will result from a budget system on the part of the federal government have been repeatedly urged by the Chamber. The need for economy in governmental operation will never be more imperative. The attention which Congress is now devoting to this reform should immediately result in legislation.

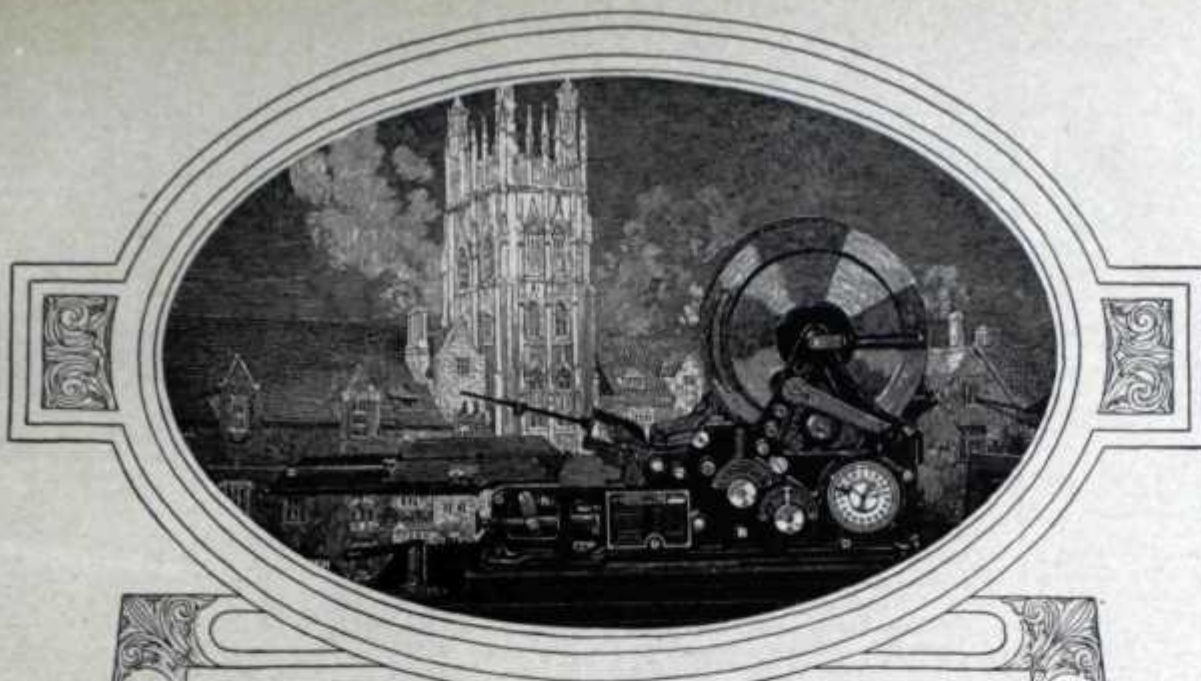
The benefits of budgetary procedure can be attained only if legislation takes an appropriate form and is accompanied with corresponding changes in the methods of Congress in making provision for the raising and the expenditure of public funds. That the budget system may be most effective legislation should place upon the President the responsibility for initiating the program of expenditures and revenues which is placed before Congress.

Government Reorganization

VIII At a time when the expenditures of our government exceed four billion dollars a year, it is self-evident that all possible economy in the operation of the machinery of government is a matter of vital concern to every citizen, and particularly to every taxpayer.

The present system of departments and bureaus, with their network of subsidiary offices and services extending over the entire country, has developed bit by bit through a great number of years. It has long been a matter of general belief among persons who have had occasion to deal with the government that the system as a whole lacks coordination and general efficiency, and thereby fails to render the quality of service which Americans have a right to demand of their Government, and at the same time involves a great waste of public money.

Successive administrations have attempted to remedy this situation, so entirely opposed to the genius of our people. But the archaic system still confronts us, its inefficiency brought into sharp relief by the increase in the number and importance of the duties which the Government has been called upon to assume during the past few years. This intolerable and un-American situation stands out today as the greatest single obstacle to a mutually satisfactory cooperation and understanding between government and business. With our Government operating largely by means of machinery installed in the days of our great-grandfathers, supplemented by a number of assorted functions developed during recent years for a variety of reasons, some sound and some unsound, but involving in all cases almost



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complete lack of coordination with the old machinery, it is not surprising that the modern business man and the government officials, no matter how able the latter may be, find it hard to meet on sympathetic terms.

It is evident that many public officials are underpaid. But it is highly probable that the saving which can be effected through the combination of similar services now separately and wastefully handled, will save money ample to provide not only for needed salary increases, but also for entirely new services which modern conditions urgently demand, and still leave a handsome unexpended balance.

The Chamber most earnestly invites the attention of the Government to the great opportunity for service to our people as a whole and particularly to American economic life at a period of critical importance to its stability, which is involved in a thorough departmental reorganization at this time. It calls upon the government to fulfill without delay its pledge in this regard, and to proceed to a reorganization and a coordination of services along lines consistent with its declared policy of "more business in government."

Commercial Arbitration

IX Regarding arbitration as a most desirable and economic method of adjusting commercial disputes, the Chamber reaffirms its advocacy of this method of settling commercial disputes and urges the passage of laws in the various states that will promote commercial arbitration in adjusting questions which arise in the interpretation and fulfillment of contracts.

Government Service To Business

X Events during the past eighteen months have made clear to the American business men the vital importance of accurate economic facts. The lack of correct and comprehensive data on the fundamentals of production, of stocks, raw material and fabricated goods, and of the facilities of distribution, contributed substantially toward the painful financial losses of the still continuing period of business depression. These losses have adversely affected not only wide sections of our business community, but also the great body of producers, consumers, and the general public.

A proper function of government is to render service to business where such service cannot adequately be provided by individual initiative. The obtaining of basic nation-wide and world-wide data on commerce and industry is an example of such service.

The data hitherto collected has never been adequate for American needs, nor has it been promptly or effectively presented for actual business use. The duty of gathering such facts now rests with an almost incredible number of widely scattered bureaus. The facts are brought together for a variety of purposes, few of which have any bearing upon the practical requirements of business. Much information, of immeasurable value to American trade and industry, lies almost unused in Washington because it is in

such form as to render difficult its practical use, or has not been made use of because business men have not been properly advised as to the kind of service which more than four score bureaus are prepared to render him if he will approach each one in turn and study its stock-in-trade and facilities.

The Department of Commerce is now charged with the primary duty of rendering the fullest

and specifications, the absence of which is costing the American people at the present time hundreds of millions of dollars needlessly expended.

The Chamber strongly recommends that the facilities of the Department of Commerce be broadened to meet the actual and economically proper demands of the business of this great nation. It recommends further that those federal bureaus and divisions, the duties of which upon study are found to fall within the scope of the department of Commerce service shall forthwith be transferred to the jurisdiction of that department.

The Chamber believes that the prompt consummation of this plan will give a decided impetus to the revival of business both domestic and foreign, at a time when such revival is proving a slow and arduous process; and that the service thus made available to American business will contribute substantially to reducing the suddenness and intensity of future business depressions through establishing a more accurate and reliable basis of available facts bearing upon the entire business situation, both domestic and foreign.

Communications Abroad

XI Adequate means for communication have an important place in the conduct of business transactions with persons in foreign countries. The new position of the United States in international trade necessitates a national policy which has in view the provision for American business men of satisfactory facilities for prompt and reliable communication with foreign countries.

Disabled Veterans

XII The conditions surrounding the hospitalization, compensation, and rehabilitation of the disabled veterans of the world war have not been adequately met. The chief source of difficulty has been lack of governmental consolidation and centralized authority.

This defect should be remedied through consolidation in one department of the Bureau of War Risk Insurance, the Rehabilitation Section of the Board for Vocational Education, and the part of the Public Health Service which has to do with the care and treatment of disabled veterans. Moreover, Congress should appropriate the funds necessary for a continuing and adequate hospital-building program.

Soldiers, Sailors, Marines

XIII The Chamber deplores any tardiness in generous treatment for all who served in the armed forces and who became disabled or sick in consequence of their service, and for the widows and orphans of

those who lost their lives while serving in the armed forces. The Chamber approves such constructive measures as may be directly calculated to enable ex-service men to cultivate the soil, build homes, or obtain vocational education.

For the purpose of affording ex-service men an opportunity to cultivate the soil, we favor a national system for reclamation of waste areas. Such a system initiated through adequate federal appropriations can be made a means which, while providing

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A. L. Humphrey, President, Westinghouse Air Brake Co., Pittsburgh, Pa.

Charles S. Keith, President, Central Coal & Coke Co., Kansas City, Mo.

*Frank Kell, President, Wichita Mill & Elevator Co., Wichita Falls, Tex.

*James S. Kemper, Pres., Lumbermen's Mutual Casualty Co., Chicago.

*Wesley F. Morse, Goodnow, Morse, Brooks & Co., Woonsocket, R. I.

*Andrew C. Pearson, Treas., United Publishers Corporation, New York.

*Lewis E. Pierson, Chm. Board, Irving National Bank, New York, N. Y.

John L. Powell, Pres., Wichita Wholesale Grocery Co., Wichita, Kan.

*C. H. Remington, Vice-Pres., Aetna Casualty & Surety Co., Hartford.

*F. C. Richmond, F. C. Richmond Machinery Co., Salt Lake City, Utah.

*J. H. Ross, President, Exchange Supply Co., Tampa, Fla.

M. J. Sanders, Hibernia Bank Building, New Orleans, La.

*Paul Shoup, Vice-Pres., Southern Pacific Railway Co., San Francisco.

George Ed. Smith, Royal Typewriter Co., New York, N. Y.

John W. Staley, President, The Peoples State Bank, Detroit, Mich.

*L. B. Stillwell, L. B. Stillwell & H. S. Putnam, New York, N. Y.

Ernest T. Trigg, Vice-President, John Lucas & Co., Philadelphia, Pa.

*Henry M. Victor, President, Union National Bank, Charlotte, N. C.

*Frederick B. Wells, Vice-Pres., F. H. Peavey & Co., Minneapolis, Minn.

*Theodore F. Whitmarsh, Pres., Francis H. Leggett & Co., New York.

Thomas E. Wilson, President, Wilson & Co., Chicago, Ill.

*Elected at Ninth Annual Meeting.

**Reelected at Ninth Annual Meeting.

possible service to American commerce, both foreign and domestic. It has no inquisitorial or regulatory powers and is accordingly free from the equivocal duty of restraining business with one hand while it attempts to offer service with the other.

This department is in a peculiarly favorable position to obtain, coordinate and distribute vital commercial information, carefully safeguarding all confidential facts. It can render invaluable service through the development of commercial standards

BRASCOLITE

PATENTED AND TRADE MARK REGISTERED

The Ideal Light for Every Purpose



Type WD

Reflector base beautifully finished in leather bronze with lead design. Reflecting plane all white porcelain enamel on Arnon Iron.

Test Your Light On the Working Surface

It is often surprising what a test will reveal. Every one recognizes, of course, that the best light is needed on the surface, where the work is done, yet in hundreds of cases much of the light that is costing real money is not directed to the useful plane but is wasted on walls and ceilings.

Brascolite, by its combination of the two principles of light transmission—*diffusion plus reflection* at the source of light—not only produces a soft, clear white light that closely resembles daylight itself, but directs practically all of that light to angles

below 90 degrees, where it is made useful for effective and economical illumination of the working plane.

Diffusion is accomplished by the scientifically configured white glass bowl which, when illuminated, presents a luminous body 569 times as large as the lamp filament. The glare of the clear Mazda lamp is reduced 97 per cent. Brascolite does not depend upon the room ceiling for reflection, but "carries its own ceiling" or reflecting plane by which the rays of light are directed downward to the working surface.

With the foot-candle meter, which accurately measures the amount of useful light delivered to the working plane, it is possible for you to know just how much light you are getting where you need it most.

The Brascolite dealer in your Community—or our Engineering Department—will gladly assist you in determining your lighting needs at any time and without obligation.

Our Catalogue No. 8 pictures and describes the standard Brascolite line—a Brascolite for every purpose. It also contains tables for accurately determining foot-candle requirements. May we send you a copy?

Foot Candle Meter

The foot-candle meter measures light intensity as readily as the thermometer measures temperature. It shows the amount of light—in foot-candles—delivered at any point.



LUMINOUS UNIT COMPANY

Division of the St. Louis Brass Manufacturing Company, St. Louis

BRANCH OFFICES:

Sales and Services

Atlanta Boston Cincinnati Chicago Denver Detroit
Kansas City Los Angeles Minneapolis New York Seattle
New Orleans Philadelphia Pittsburgh

Canadian Distributors

Northern Electric Company
LIMITED
Montreal



opportunities directly for former members of the armed forces, will advance the national interest.

The Chamber, however, calls attention to the fact that a general cash bonus, or its equivalent in certificates, would mean a very heavy increase in the burden upon the entire community. For this reason the Chamber favors forms of assistance other than a cash bonus.

Anniversary of Our Independence

XIV The principles of civil and religious liberty set forth in the Declaration of Independence make it peculiarly appropriate that the one hundred and fiftieth anniversary of the adoption of the Declaration of Independence, falling in 1926, should be marked by a suitable celebration to be held in the City of Philadelphia and to have participation from the Nation and the several States. Such an occasion could be made a demonstration of American history, patriotism, moral and social progress, and material achievements.

Brazil's Centennial

XV In 1922 Brazil will celebrate the one hundredth anniversary of its independence. The celebration which has been planned includes an exposition, in which other countries are invited to participate. In recognition of this anniversary in which our country has much sympathetic interest, and with the same cordial feelings of friendship Brazil has displayed by participation in celebrations of our national anniversaries, our Government should at once consider the advisability of erecting an American building at the Brazilian exposition, and American manufacturers and merchants should arrange representative exhibits.

Tariff Policies

XVI Questions relating to the policy of the United States have been before all the group sessions, and a statement from the Chamber's Committee on Tariff Policy has had consideration at the group sessions and from the Resolutions Committee.

Understanding that this statement was in the nature of a report of progress, and realizing the importance and difficulty of the problems, which are being studied by the Committee on Tariff Policy, the annual meeting requests that the questions before it on this subject should be investigated by the Committee and awaits with interest the Committee's final report.

Court of Tax Appeals

XVII In the revision of the revenue laws, which the Chamber believes essential, there should be provision for a court or courts of tax appeals, to be appointed by the President and to be entirely separate and independent from the Treasury Department. This court should adjudicate cases in dispute between a taxpayer and the Bureau of Internal Revenue.

Taxation of Capital Assets

XVIII Through referendum the Chamber is formally committed to a distinction, for purposes of the Federal income tax, between gains realized from the sale of capital assets and income received from business or other current activities, and it advocates a policy of less burdensome rates upon the former when properly defined than upon the latter.

Treatment under the present law of gains on capital investments as taxable income in the year when they are realized operates to prevent the consummation of numberless transactions essential to the normal growth and development of the country's business. The Government is thus deprived of revenues which would accrue to it if the burden were reasonable and the transactions were consummated with the increase in business volume thus to be expected. For these reasons, if in the maintenance of necessary revenues, such gains be treated as income, then we urge more reasonable rates to apply on such capital gains, properly defined.

New Taxation Referendum

XIX Referendum No. 34 on the report of the special committee on taxation developed in the opinion of some of the constituent members of the Chamber an uncertainty as to the proper interpretation of the votes upon some of the questions propounded. During this

convention there have been put forward in formal resolutions by constituent members, under the provisions of the by-laws and by group meetings, resolutions calculated to open up these doubtful questions and secure a definite and conclusive opinion upon them.

The Committee on Resolutions believes it will be unwise to establish in this way a precedent whereby a convention held shortly after the completion of a referendum should, by a vote much less in number of constituent organizations represented, endeavor to revise by a convention vote, the vote upon a formal referendum. The Committee, therefore, recommends that the annual meeting should request the Board of Directors to take steps to have a new referendum prepared at once, thus again permitting the organization members of the Chamber to record their definite opinion. Thereby a declaration by the Chamber freed from uncertainty and conclusive in its recommendations becomes possible.

International Chamber of Commerce

XX The Chamber of Commerce of the United States in general convention assembled approves and endorses the acts of its representatives in assisting in the establishment and development of the International Chamber of Commerce, and believes it is entitled to the encouragement and support not only of this organization but also of the respective associations and other members of which the Chamber of Commerce of the United States is composed.

Organization Secretaries

XXI Inasmuch as we are passing through a period of readjustment in our commercial life, and inasmuch as we feel that the commercial secretaries are expected to be informed upon the great problems involved, this convention of the Chamber of Commerce of the United States goes on record as favoring commercial bodies sending their secretaries to the training school for

commercial secretaries to be held at Northwestern University, Chicago, Illinois, this summer.

Other Subjects

XXII In the recommendations which the Resolutions Committee has submitted it has dealt with the subjects upon which it believes the Chamber is prepared to act in annual meeting. Under the rules governing this meeting there have been placed before the committee a number of other subjects. In some instances these are subjects which are to be studied by committees already appointed by the Board of Directors. In other cases the subjects are, in the committee's opinion, especially appropriate for further study or procedure other than action at annual meeting. These subjects the Committee recommends should be referred by the annual meeting to the Board of Directors, and are, with such accompanying suggestions as the Committee makes:

Daylight Saving, with a suggestion that the subject should be submitted to a committee for study and the committee's report should be sent to referendum.

Anti-Trust Laws and Interference with Business, with a suggestion that they be referred to the Committee on Trust Legislation.

Aid for Merchant Marine and Naval Reserve, American Merchant Marine, Docking Facilities, and Cargo Damage, with a suggestion that they might be referred to the Committee on Ocean Transportation.

American Chambers Abroad, Foreign Service, and Foreign Trade, with a suggestion that they might be referred to the Chamber's Foreign Commerce Department.

Aeronautical Code, with a suggestion that it might be referred to the Chamber's Transportation Department.

Forest Protection Week.

Taxation of American Citizens Abroad, with a suggestion that the Chamber is already committed to the policy proposed.

Informing the Farm by Wireless

Market reports are sent through the air from Washington that the producer may see where demand is strongest

BY CAROLINE B. SHERMAN

Of the United States Bureau of Markets

BULLETIN boards in Chambers of Commerce, rural post offices, railroad stations, and country stores in some twenty-two States are now carrying reliable market quotations furnished to them by enterprising wireless operators.

The market reports are compiled by the Federal Bureau of Markets and transmitted daily by wireless from Washington, D. C., Bellefonte, Pa., St. Louis, and Omaha. Each sending station serves a territory within a radius of 300 miles, and the 2,500 radio operators located in these territories are expected to take down the reports and see that they are transmitted to the farmers.

The first wireless market report, prepared as an experiment by the Bureau of Markets and sent out by the Bureau of Standards at Washington, was dispatched on December 15, 1920. No announcement had been made and no one had been asked to receive it. It was merely released to take its own chances with the many other messages filling the air. For the next four months a report was issued from this Washington station daily at the same hour, and during that time the Bureau received constant queries from newspapers, agricultural papers, trade boards, county agents, radio clubs, and interested individuals regarding the details of the experiment and possibilities of expansion. Everywhere the greatest interest was manifested. During March, reports from 80 operators in the field covered showed that many of them were

placing the wireless reports where they would get the market news to the farmers. Many of them undertook to deliver it direct, while others worked through a central agency. On April 15, through the cooperation of the Air Mail Radio stations, Bellefonte, Omaha, and St. Louis began the daily release of market news. The Bellefonte report is similar to the Marketgram dispatched from Washington. Reports are sent out at 5 p. m. and 7 p. m., respectively, and give a general daily summary of eastern market prices on live stock and meats, grain, hay, feed, fruits, and vegetables. Since Omaha and St. Louis serve a live-stock and grain region, special attention is given to those commodities in the reports released from these stations.

Many of the expert wireless operators of the country are boys under 18 years of age. Published reports show that the wireless marketgrams can be received and posted accurately by amateur operators of comparatively little experience. Handled regularly by shippers' organizations, State market bureaus, county agents, and boards of trade, their dissemination in reliable form among wide groups of farmers is assured. These reports are of especial value to farmers situated within reach of several markets. The Maryland farmer sometimes has a choice of the Washington, Baltimore, Philadelphia, or New York market, and there are times when the difference in freight rates is offset by the difference in price.

Dramatized Facts out of The Days Work

No. 4

Where the facts came from
Building the new New
England Oil Corporation
plant at Fall River, Mass.,
was a rush job from the first
day. 68 miles of piping, cov-
ering 55 acres, were installed
by Grinnell Company for the
contractors, Unit Construc-
tion Co., St. Louis. When the
piping was tested with men
stationed all over the great
works, only six leaks were
reported to Mr. W. W.
Boyd, Jr., Vice President
and General Manager of the
New England Oil Corp.—
6 leaks from 64,332 joints.



PRESIDENT

PLANT ENGINEER

CONSULTING ENGINEER

PRODUCTION MANAGER

55 Acres of Borrowed Trouble

"The first tanker will dock here in just four months," declared the President, looking across the fifty-five-acre site of the gigantic new oil works. "By then we simply must be in full running order."

"The piping is what I'm worried about," mused the Production Manager, half to himself.

"It can't be done," exclaimed the Plant Engineer, whose hobby was his record under Goethals. "You've no idea how many unlooked-for things can come up in a job like this. No one ever dreamed of a whole hill sliding into the Panama Canal at Culebra Cut. Why, there's actually more than 68 miles of piping required here."

"I don't care if there's a hundred and sixty-eight, or if the Canal did fill up," flashed the President, "this job's got to go through on schedule, and it's going!"

"But in sixty-eight miles of this kind of piping," the Plant Engineer came back, "there are high and low pressure steam lines, acid, air and water lines, besides all the miscellaneous connections to stills, coking plants—why there must be over fifty thousand joints of one kind and another to make trouble."

The Consulting Engineer turned—started to reply. But again the President broke in with—"It can't take more than four months, remember—it simply can't."

"All right," persisted the Plant Engineer, "but if you rush construction like that, you can figure on giving me a big repair gang to tighten acres of leaky joints after the construction army is gone—"

"You're borrowing trouble, old man," smiled the Consulting Engineer. "I'll bet you a suit of clothes there won't be a hundred leaks in the whole job when it's tested out."

"Only a hundred leaks in 68 miles of rush, overtime piping? I'll go you."

It was hardly a fair bet for the Consulting Engineer to make. He knew where he was going for his piping—knew he would get a service practically undreamed of by those who haven't had actual experience with Grinnell Company. His confidence wasn't misplaced. The job was done on time, and after the test only six workmen came in and reported leaks. He won his suit of clothes with ninety-four leaks to spare!

GRINNELL BULLETIN

Handling a great piping contract requires skilled erecting crews, working in groups, under unit foremen with a resident foreman supervising. The Grinnell field organization of 1300 men can give such service anywhere in the country. Piping requires more than ideas and materials. It requires men, organized like an army to take orders and execute them quickly.

This is why Grinnell Company can guarantee any piping installation it undertakes.

GRINNELL INDUSTRIAL PIPING

Automatic Sprinkler Systems, Heating, Power and Process Piping

Your kind, their kind, every kind of Piping

Send for your copy of the "Grinnell Bulletin". Address Grinnell Company, Inc., 272 West Exchange Street, Providence, R. I.

While Demand Is on the Upgrade, the Country's Business Machine Is Not Yet Traveling on High

By ARCHER WALL DOUGLAS

IT IS THE breathing time of day in the business world as it reaches that stage where the seasonal spring business slows up, awaiting the coming of summer, and with the natural hesitation that defers future action until the determination of the coming harvest.

Conditions are much spotted both as to localities and lines of trade. There is some improvement in leather goods with rather firmer prices and some textiles are in better demand, more particularly silks and woolsens.

In the retail trade, buying is better in the large cities than in the country towns. As is

future possibilities of cheap and efficient transportation to the motor truck but which, for the present, has to be content to bide its time.

In the field of transportation some enterprising cities are enlarging their trade territory by the extension of electric trolley line into districts where before they had scant distribution. Paradoxically enough, so far from destroying the business of the small towns in such districts, they have enabled dealers to carry smaller but better assorted stocks and thus to increase their attractiveness and their profits.

The automobile and rubber indus-

Business Conditions, May 11, 1921

CHANGES in the map continue to record improvements. "Good" spots are on the increase. The area of "Fair" conditions in the East grows larger. Throughout the West and Middle West, the "Fair" sections are still holding their own.

In studying Mr. Douglas' map, it should always be borne in mind that only actual conditions are shown; prospects are not indicated.



usually the case, surface indications in the great centers, such as the crowded stores and places of amusement, with the vast number of automobiles on the streets, give scant indication of real underlying economic conditions.

The great mass of the people are looking the facts squarely in the face. There are no delusions as to any sudden return of prosperity, nor of advancing prices, nor scarcity in any lines. But rather the realization that both time and patience are required to work out the problems which confront us. So the many have accepted the situation, and are adapting themselves to the inevitable, with the result that much progress has been made in the ways of readjustment.

There are those exceptions who still dwell in the fool's paradise of imagining that they can get by with sales, salaries and wages at war figures and without taking their medicine. Verily they shall have their reward.

Building varies, according to locality, from little or nothing doing to just passing fair. So the incalculable possibilities of much employment and widespread benefit to many industries are rendered of no avail by the continuing undue cost of some materials and the high price and inefficiency of labor. Lumber is in somewhat better demand but at low prices.

There is much construction of hard surface roads under way, as most communities seem perfectly willing to tax themselves for this purpose. These permanent highways open up far-reaching

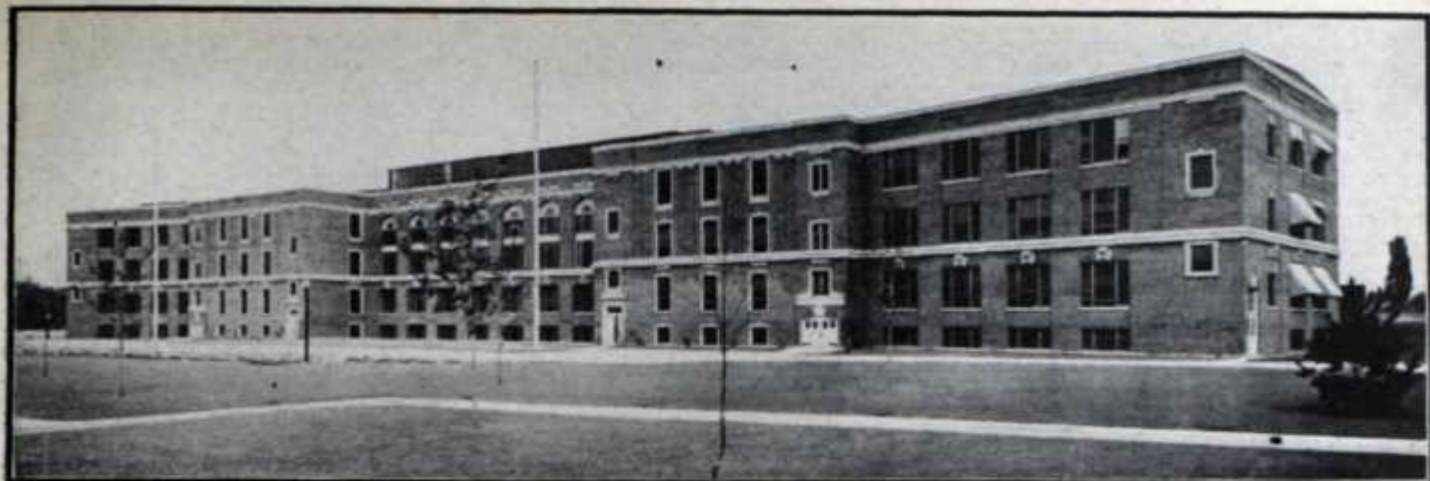
tries have come back in a very definite fashion when some false prophets thought they had taken the full count for the time being. So far, they have disappointed those who forecast a mere spurt instead of a continuous performance. There are still a few belated thinkers who have overstayed their time and who fail to realize that automobiles are neither a fad nor a mere luxury but an essential phase of modern life.

The steadily increasing sales of electric light fixtures and all manner of electrical supplies in the countryside give evidence of the growing comfort of life on the farm.

There is much paint being sold in view of the small amount of new building under way, thus giving evidence of the thrift and foresight that painting houses is an economy and not an expense. Also all the appurtenances of outdoor sports are in large demand. Heavy sales of fishing tackle are one of the evidences of an unemployment that seeks to beguile its time, since catching something is not necessarily a part of the sport.

The sop thrown to Cerberus in the reduced prices of steel and iron products does not so far meet much response in the way of new business, possibly because of a suspicion that it may prove a case of two bites of a cherry.

(Continued on page 56)



Experimental and production plant of the National Lamp Works of General Electric Company, Nela Park, Cleveland.

**Increase Sales Volume
Reduce Freight Charges
Overcome Competition
Improve Service
Increase Profits
with**



Austin-Built Branch Plants

Many of the country's largest manufacturers get these important profit advantages from branch plants and warehouses. Why not you?

Raw materials, parts and unfinished goods take a lower freight rate than the finished products. You save in freight.

L. C. L. rates run high to distant points. Car load shipments to your branches make additional savings.

You serve your trade with greater dispatch. Lower freight rates interest your customers, too. Close co-operation in every territory cements your trade relations.

You have a decided advantage over competition. Surely you need every possible advantage to keep your plants in most profitable production.

By increasing your volume you are placed on a better competition basis. You have everything to gain.

Because Austin already has branch offices and warehouses strategically located throughout

the country, Austin can erect branch facilities for you wherever you can utilize them to advantage. Even in foreign countries you can have the advantage of Austin service. By quantity purchasing of all essential materials, by the adaptation of standard construction methods to meet your peculiar requirements, by speedy, systematic and economical construction, Austin can protect your building investment and get your branch organizations into profitable production quickly. Branch operation is an opportunity you can hardly afford to overlook. Let one of our Sales Engineers discuss this problem with you. There will be no obligation. Write, wire or phone today.

Let us send you a copy of our special treatise, "The Profit Advantages of Branch Factories and Warehouses."

THE AUSTIN COMPANY, Cleveland

Address your inquiry to nearest office:

CLEVELAND	16126 Euclid Avenue Eddy 4500	NEW YORK	217 Broadway Barclay 8886
CHICAGO	1374 Con'tl Com'l Bldg. Wabash 5801	SAN FRANCISCO	817 Pacific Building Sutter 5408
DETROIT	1452 Penobscot Building Cherry 4406	DALLAS	627 Lina Building X-3914
PITTSBURGH	493 Union Arcade Grant 7205	LOS ANGELES	1105 Story Building Phone 14114
PHILADELPHIA	1026 Bulletin Building Spruce 1391	ST. LOUIS	1794 Arcade Bldg. Olive 3430

AUSTIN

DESIGNED BUILT AND EQUIPPED

- No. 1—Branch Plant, National Lamp Works, Cleveland
No. 2— " " " " " Minneapolis
No. 3— " " " " " Niles, Ohio
No. 4— " " " " " Warren, Ohio
No. 5— " " " " " St. Louis, Mo.

In many of the large centers there is the curious paradox of much unemployment accompanied by growing savings accounts. The explanation seems to be that those who have jobs are none too certain of them, and are casting consequent anchors to windward in the shape of less spending.

The financial position of the farmer grows stronger as he is gradually liquidating his obligations, decreasing his cost of production, and finding more economical methods of distribution, largely through his cooperative associations.

If farmers, as a class, are not so rich as men in commercial pursuits, they are in a real sense more independent, when owners of their property. Nor are there among them the same extremes of wealth and poverty which marks city life.

Early fruits were severely damaged in nearly all sections by repeated freezes in the spring. Notable exceptions are citrus fruits in Florida and California, deciduous fruits in Idaho and Washington, and strawberries in the far South. Winter wheat is still in the best of condition, though cold, wet weather retards the growth of cotton and corn, while it promotes the growth everywhere of pastures and ranges. On the whole there will not be so much acreage planted to staple crops as last year. This is particularly true of cotton. Despite low prices, shipments of early vege-

tables to market exceed those of last year.

An interesting development in diversification in crops in the South is that about the same acreage is being planted in cotton but that the acreage of other crops is increasing, and exceeds that of cotton by about 50 per cent.

It is a hard saying, but none the less an unpalatable fact, that a large cotton crop this year will only add to the already perplexing problem of the South to dispose of the surplus now on hand, a large portion of which will be carried over into another crop season with no prospect of an adequate demand in the near future to take care of the supply.

Economists have an axiom that there is no such thing as overproduction, but rather underconsumption. Technically this is correct and makes a fine showing in textbooks. Meanwhile the real problem of the day in all surplus-producing countries is to accommodate supply to demand until the consuming world gets into its stride again.

It is one of the ironies of economics that the present business stagnation arises largely from an overabundance of wealth that cannot find a market. The copper industry illustrates this by having so large a surplus above ground, for which there is no prospective market, that all the mines are closed down.

Livestock is generally in good condition with plenty of feed and with sufficient moisture

on the ranges; though the cold weather of March and April caused loss of lambs and calves in some sections of the West.

There appears to be a tendency to increase the number of brood sows in some States and there are estimates of such increase in a small way which might have greater credence were it not for some recent developments brought out by the census. In a number of the States the census reports differ from estimates made by another department of the Government as to the number of livestock on hand, both supposedly as of the same date, in many cases, by as much as from 15 per cent to 50 per cent. Presumably the census is correct. If so, there are just enough errors in the estimates to arouse natural suspicion in the future as to what the estimates are worth when there is no census to check them by.

Those who have constant occasion to compare the average statistics with the facts of everyday experience have the least respect for such figures, and realize that if statistics are to have their true value to the business world, they must show greater claim to accuracy and completeness than they now possess, and likewise be subject to more intelligent interpretation than they often receive at the hands of mere students remote from the scene of action and utterly unfamiliar with the causes which produced the statistics.

Nation's Business Observatory

Criticism and acquiescence in the Administration's view of trade associations—The farmers' market movement—Ocean and railroad freight rates and their effects

HOW shall the Government and the trade association be brought to a better understanding of each other? This question is engaging the trade press as a result of the President's message to the special session of Congress and the Trade Commission's Report.

Can the marketing plan of the Farmers' Committee of

Seventeen succeed without compulsory pooling, and would compulsory pooling be lawful? Here are views of farm and other papers.

Shall the railroads bear all the blame for the wide swing in food prices between the farm and home? Railway men would shift some of it to commission merchants.

THE SECTION of President Harding's address to the special session of Congress, which has attracted the most attention from business was that devoted to trade associations and their effect on prices. There is a note of resentment in some cases, a tendency to remind the administration that many associations were formed with the acquiescence, if not at the demand, of government, and again to call attention to the plea for these associations made by Bernard M. Baruch, in saying farewell as president of the War Trade Board.

These views are somewhat reconciled by *Oil, Paint and Drug Reporter*, which sees an explanation of the two points of view:

The Federal Trade Commission was created to perform certain specific functions. It was designed to correct the evils, real or imaginary, which had been attributed to the industrial and commercial bodies of this country. Naturally, it took as its viewpoint one from which it could observe the operations with which it was concerned. Sometimes, as is often the case, the things looked for were so exaggerated by the lighting and perspective incident to that viewpoint that all else was, at best, of low visibility.

Likewise, the War Industries Board was created for a specific purpose. But its object was to get the most good possible out of existing industrial and commercial resources. One can readily see that it had to select a viewpoint adapted to its

desires, one from which it could not be expected to see the same side of industry and commerce as that commanded from the Trade Commission's point of view.

Both official bodies looked upon the same object. One saw it as a dark, threatening cloud; the other as a somewhat protean mass bright with the hope of potentiality.

The *Reporter* has this final word to say:

If open price associations or other trade organizations are so operating as to hinder the restoration of that confidence which is so essentially a prerequisite of industrial and commercial stabilization, it is time that business as a whole rose up and got rid of its Jonah. The trade organization has a cleaner and a better use. If government must be relied upon for relief in this connection, the result will be that governmental meddling in all the affairs of business will be that much harder to get rid of.

An interesting point of view is that of *The American Contractor*, which sees us forced to a choice between regulated monopoly and free competition. This is a part of the lesson it reads to the trade association and to business in general:

The trade association which directly or indirectly attempts to influence price and production to the disadvantage of the market and the organization which attempts to restrict a field of activity to only those who hold membership in the organization will have to revise their aim and effort eventually.

The organized coal interests of the country have a great deal to say about the "snow birds" and the "wagon mines" which cut in on the regular dealers and trade when business gets good—business being good, of course, only when the selling price of coal offers the mines and the dealers an attractive profit. If there was any way to do it the organized coal men would not permit dealing in coal other than through members of the organization. This policy is one which in spirit is against open competition and in practice it is in violation of Federal law.

Analyze, impartially, the agitation to force the cement mills to sell only to "recognized" dealers, the dealers who belong to the material dealers' association. Does this proposed restriction square with a competitive régime in business? If we are to be consistent we must be for competition or against it. If, after all, we believe in monopoly, then we must be reconciled to very stringent regulation of monopoly business by Government agencies. The time is approaching rapidly when business must make a final choice between competitive conditions and monopolistic conditions, and if the latter is accepted the public will insist, eventually, on thorough and effective Government supervision. We only kid ourselves if we ignore the fact.

Textile World wonders if Mr. Harding's request for a report from the Federal Trade Commission can mean "a resumption of the muckraking campaign" of a few years ago, and gives a clean bill of health to the textile industry. Here is its view:

The most important associations connected with

*Douglas Fir
Northern White Pine
Idaho White Pine
Western Soft Pine*



*Western Hemlock
Washington Red Cedar
Red Fir and Larch
Norway Pine*

A NEW STANDARD OF EFFICIENCY IN THE USE OF MATERIALS

WHEREVER business men gather together today you hear of economies in production—new standards of efficiency for labor, for machinery and in the distribution of finished products.

Reconstruction demands lowest production costs and higher relative values.

It demands a new standard of efficiency in the use of materials; and especially true is this in the use of lumber.

It may surprise you to know that the service value of the average purchase of lumber could be increased 100%, if the buyer chose the most practical wood and the most economical grade for a given purpose.



Lumber is more intimately woven into our complex industrial fabric than perhaps any other basic material. In the production of coal, in the manufacture of machinery, in the distribution of countless commodities where we least expect it, lumber touches every home, every farm, every business in the land.

That is why an enlightened lumber service is important in this period of industrial reconstruction and in the great era of home-building that is ahead.

Lumber is capable of the same close analysis as is a bar of steel or a block of concrete.

For years there has been accumulating a mass of close-knit knowledge about the kinds of wood, their service values and adaptabilities.

Few men are aware how well-rounded and scientific this knowledge of lumber is.

The strength of the various species. Their durability. Their service qualities.

What kind of lumber is best adapted to the manifold industrial uses. Which will give the longest service under exposure to the weather. What kinds are most suitable for construction purposes, and what for interior trim.

Add to this the advanced knowledge of wood preservation—and you begin to see the far-reaching benefits of this lumber service.



What we advocate is conservation and economy through the use of the right wood in its proper place.

To this end we will supply to lumber dealers and to the public, any desired information as to the qualities of the different species and the best wood for a given purpose.

This service will be as broad and impartial as we know how to make it. We are not partisans of any particular species of wood. We advise the best lumber for the purpose, whether we handle it or not.

From now on the Weyerhaeuser Forest Products trade-mark will be plainly stamped on our product.

When you buy lumber for any purpose, no matter how much or how little, you can look at the mark and know that you are getting a standard article of known merit.

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this trade have diverted their energies in large part to matters other than the collation of sales statistics, and their principal reason for continuing has been and is the benefit to be derived from consultation with regard to trade practices, credit, and kindred matters. The fact should not be lost sight of also that organizations of this character perform a most useful function in affording information of a financial character to banks and to Federal boards for use in treatment of requests for pecuniary aid.

Failure to take the public into their confidence has been the error of the coal associations, says *Coal Age*, which makes its specification more definite:

Where the coal operators' trade associations have erred in the past has been in holding too closely from public view the figures of costs, contracts, and sales realizations they have collected. It is pointed out that the reports of stock market transactions are "open-price" information, that the grain industry enjoys the privilege of knowing what is going on as regards transactions and prices, but it must be observed that every transaction is recorded and made public. The public enjoys the data as well as the operator.

It has not been so in the past with regard to the reports of the coal associations. There was a semblance of publicity given the market reports of coal in 1919 by publication of certain totals in the "Digest" of the National Coal Association, but access to the mass of data collected by local operators' associations has been as a closed book to the consumer and the public in general. To meet the public conception of what is fair, better provision must be made for any future efforts by the coal industry along this line to inspire the public with a greater degree of confidence that something is not being done to "rig" the price against it.

A definite forward-looking suggestion is that made by *Engineering News-Record*, which wants to see the proposals of the Baruch report put into effect:

To reap the benefits that can accrue to the public from such associations and, on the other hand, to prevent them from being misused, the report urges the development of some plan of relationship between them and the Government. At the present the contract is purely a negative one, through the inquisitorial functions of the Federal Trade Commission. The new relation should be a constructive one, "whose duty it should be to encourage, under strict Government supervision, such cooperation and coordination in industry as should tend to increase production, eliminate waste, conserve natural resources, improve the quality of products, promote efficiency in operation and thus reduce cost to the ultimate consumer."

Such a relationship is devoutly to be wished and it would seem to be the function of the U. S. Chamber of Commerce to take the initiative in working out this desirable liaison. The cooperating agency on the part of the Government might be the Department of Commerce or the Federal Trade Commission, preferably the former, since at present it is under the leadership of a man who so clearly senses the essential relationship between business and public welfare.

The report of the commission called out by the President's message does not excite entire approval. It "will confirm the general public's belief that prices are still too high" says the *Electrical World*, which adds:

That it may lead to regulation is possible but not probable; for while there is nothing to prohibit this, we question whether any industry will permit itself to become so inefficient and corrupt or so abuse its opportunities as to warrant Government interference in the public interest.

We fancy, however, that a portion of the blame for questionable business may be laid at the door of the Government itself. In this we do not mean to exculpate those combinations which studiously keep the letter but break the spirit of the law, or to condone their practices. But we believe that it is as much a function of government to advise as it is to threaten. The old adage that an ounce of prevention is worth a pound of cure still applies, and admonition is certainly just as effective in business as chastisement. We are glad to note that the

Federal Trade Commission appreciates this and has suggested remedies in that spirit. We commend its report to the serious consideration of the industry.

The *Dry Goods Economist*, after reading the Trade Commission's report, gets this idea from it:

The commission, however, is strong for further regulation. It asks for new legislation to strengthen its powers for obtaining and publishing "information respecting the ownership, production, cost, sales and profits in the basic industries more directly affecting the necessities of life—shelter, clothing, food, and fuel." It demands vigorous prosecutions under the anti-trust laws; yet it would also have "positive encouragement of cooperative associations of agricultural producers and of cooperative consumers' organizations." It asks the passage of measures to eliminate "gambling in futures," among other things.

Little appears in the report to indicate that the Commission blames the retailer for the delay in price reduction. No case, as we see it, has been made out against the retailer in this report. Yet in the last paragraph the commission declares: "The analysis indicates that the cost of living must come down as a prerequisite to normal business, and that the first move should be in the reduction of retail prices."

Read in connection with the preceding long and involved paragraphs of the report, this conclusion is nothing short of astounding. No careful, unbiased reader of the report can possibly agree with the Commission in its claim that such a conclusion is indicated by its "analysis."

Farmer Plan to Market Wheat with No Forced Pooling

SUN UP in American agriculture." That is the phrase with which President J. B. Howard, of the American Farm Bureau Federation, hailed the project for cooperative marketing devised by the Committee of Seventeen and approved by a farmers' conference of 103 delegates.

The plan calls for a non-stock, non-profit association under the laws of Delaware and known as the United States Grain Growers, Inc. The following description of how the corporation will function is taken from *The Modern Miller*:

The plan provides for the establishment of a corporation known as the United States Grain Growers, Inc. Membership in this national sales agency will consist of grain growers or producers. Contracts for the handling of grain will run from the grain growers or producers to the local cooperative elevators or to a local grain growers' association, and contracts will run from these local elevators or associations to the national sales agency.

The association will endeavor to sell the grain directly or otherwise to millers, manufacturers, exporters, and others. The plan further contemplates that the national sales agency shall provide for terminal sales agencies; warehousing facilities at terminal markets; finance corporation; an export corporation; and a marketing news service.

There are two types of contracts the farmer may make. He may adopt the regular sales method now followed, through which the farmer sells to the elevator and the elevator sells to the market. These may be direct sales or sales on consignment. The second method which is provided for is pooling. Farmers adopting this plan may pool, or there may be a joint pool by several communities. The membership in the association is \$10. According to the plan as submitted by the committee, the association is to be operated as a non-profit, non-stock company, which the makers of the plan say will pay no dividends and that the association is to be operated on a cost basis.

There was a long debate on an amendment for compulsory pooling of one-third of the wheat, and it was defeated by a vote of 61 to 38. The farm papers agree that the delegates believed in compulsory pooling in principle but doubted its expediency at this time. There was also a difference of opinion as to its legality.

Farm, Stock and Home is outspoken in its declaration that pooling alone will make effective the plan. "Wheat must be pooled!" it cries in the headline over this comment:

The marketing plan of the Committee of Seventeen gives the member the choice of agreeing to pool his wheat or sell it in the old way.

If this plan is to be of the greatest good to the producer the pooling idea must prevail. It is the only way the present disastrous practice of dumping grains on the market in excess of demand can be stopped. If the great majority of members simply elect to sell their wheat to the United States Grain Growers, Inc., we will simply have another grain handling corporation, with no power to control or regulate the flow of wheat over a twelve-month period, which is the only way in which price stabilization can be brought about.

In its report of the meeting, *The Iowa Homestead* explains why the pooling plan was rejected in the face of majority sentiment:

It is probably correct to say that there was scarcely a man among the delegates who was not in favor of pooling or even of compulsory pooling were he convinced that it would be legal and were he convinced that farmers in general would sign a contract containing a compulsory pooling clause. All were united in the opinion that nothing was of greater importance at this time than to get the greatest possible number of farmers to join the United States Grain Growers, Inc., first, for the purpose of raising enough money from membership fees and the sale of stock in the finance corporation to satisfactorily handle the grain, and, second, to secure enough grain to make the United States Grain Growers, Inc., a power on the market sufficient to have a decided influence upon prices and to prevent, so far as possible, the harmful operations on the boards of trade in which the grain speculators have always engaged.

A note of doubt is raised by *The National Stockman and Farmer*, which says:

The whole plan is based on the idea that grain producers can and will market their grain at home and abroad better than anybody else can do it, that with a non-profit organization they can market it cheaper than others can do it who must have profit. On the soundness or fallacy of this idea must depend the whole future of this ambitious plan. A number of questions may arise here—as to whether farmers can excel other agencies in marketing; whether the ideal non-profit organization is more economical and more effective than selfish business organizations in such a vast trade; whether producers will support the organization devised by their representatives by paying their membership fees and entrusting their grain for five years to it; whether producers will not be content with present cooperation in grain marketing rather than go so far as this plan proposes. These and other questions naturally arise. Father Time is the only gentleman who is competent to answer all of them, and it may be better to leave it to him than to attempt to prophesy.

The Modern Miller is skeptical. It looks forward to a successful start-off but believes the real test lies in its ability to hold together. Says the *Miller*:

Cooperation is hard to attain, and it is not easy to foresee blow-holes in cooperative schemes. The millers have watched quite a few such go on the rocks. Farmers have shown their ability to cooperate in fruit exchanges and in marketing dairy products. They have done this successfully. Cooperation in such instances was due to some extent because of localized inability to market products under the old system. In marketing grain there exists now highly organized marketing facilities which will continue to function in opposition to the U. S. Grain Growers, Inc.

A Cost Accounting Lesson in the Manufacture of Beef

AT THE Iowa State College at Ames, Iowa, an annual test is made of the comparative value of various cattle feeds. In effect it is an application of a careful cost



Everybody Knows the Farmer As a Producer

BUT what do you know about him as a *consumer*?

You know he plows and harrows and cultivates; sows, plants and reaps; but do you ever stop to think that he wears clothes, eats food, lives in a house, drives automobiles; and that he is a consumer of nearly everything that's sold—the greatest and wealthiest consumer, as a class, in the world today?

He is—and he'll buy your products if you'll tell him what you have to sell and how your goods will meet his particular needs. He merely is waiting to be shown—it's up to you to show him.

The American farmer is a producer of original wealth—with an outlook not seriously influenced by industrial uncertainties. With costs going down and his selling prices up, his purchasing ability is constantly increasing. Take advantage of it.

You can do it—talk direct to Mr. Farmer, in his leisure hours—drive your story *home*—in his home—and the most logical way is the direct route of *FARM AND HOME*.

No matter whether you want to sell machinery for his fields; tires for his cars; cereals for his breakfast table; clothing, furniture, hardware or hairnets, *there's the market*.

Go after it—tell the American farmer and his folks your story, plainly, frankly, fully, and cash in on a big, intelligent, responsive demand.

FARM AND HOME reaches over 650,000 real farm homes, and has the greatest percentage of renewals of any national farm paper—its readers subscribe because they *want* the paper, then renew because they won't give it up.

Now's the time and here's the way to go back to the farm with your advertising: Use *FARM AND HOME*.

Write for "Inside Stuff"—a house organette that helps to tune up sales.



Note that word home

FARM AND HOME

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Friendly, good-natured business pays, and there's not a more equitable method by which the friendship of a customer may be obtained and held than to give a direct, tangible discount by means of *2X* Green Stamps.

"The voice with the smile wins."

But the discount of value holds.

THE SPERRY & HUTCHINSON CO.
114 Fifth Avenue New York

accounting system to the manufacture of beef.

The result this year was a peculiar instance of what an era of falling prices may mean to any manufacturer. The tests were to determine the value of cane and beet molasses as substitutes for corn and were of value along that line, but *Wallace's Farmer* thus sums the net result of the whole transaction:

All of the steers in this experiment lost money. They were purchased at a cost of \$9 per hundred pounds at Ames last December, and were worth on the average about \$8 per hundred pounds at Ames early in April. When fat steers sell for a dollar less per hundred pounds than the feeder steers cost four months previously, it is impossible to make a profit no matter what method of feeding is followed.

Rail and Ocean Freight As They Affect the Producer

SOME surprising figures of current freight charges are produced from time to time and some interesting contrasts made with ocean shipping costs. A typical one greatly interested a meeting of wholesale grocery men which was called recently in Chicago by O. J. Moore, of Sioux City, Iowa. Here is the *New York Commercial's* report of a part of Mr. Moore's talk:

Comparing transportation charges, Mr. Moore said that New Zealand, which is 6,000 miles from California, presents an interesting situation. "In terms of living," he said, "New Zealand is now nearer England than is St. Paul to Chicago. In terms of freight rates New Zealand's apples are nearer San Francisco than are those of Colorado; her meats are closer to London than are the steers of western Kansas to St. Louis or Kansas City. Belgium glass is nearer New York than glass from Zanesville, Ohio. The railway charges from Denver to Chicago would send New Zealand's products twice around the world, for one goes by rail and the other by water."

The *American Agriculturist* has this to say on the general subject:

Under the present freight rate schedule it takes 30 cents to ship a bushel of wheat from Missouri points to New York city. The freight cost on a bushel of wheat from Argentina to New York city is 10 cents. Let this penalizing of American wheat growers continue and wheat growing will become a secondary farm industry in this country.

The high freight cost is the stumbling block in front of prosperity of everything—in front of agricultural prosperity, industrial prosperity, commercial prosperity. Operating costs of railroads, labor, material, management, all must be reduced to a level with the lessened living costs that now prevail in all directions. Action already has been too long delayed. Freight must come down.

On this pertinent problem of the "freight factor in food," the *Railway Age* is aroused at the continued attacks on the railroads and seeks to put a part of the blame for prices on the commission merchant. Here is its explanation of the case of the Texas cabbage:

On April 16 the average price paid to the producer for cabbage in Texas was \$7 per ton. The cost of transporting it to Chicago was \$26.30 per ton. This includes not only the freight rate, but also the cost of icing the refrigerator car and the Federal tax on freight charges. The total amount that the producer received for producing it, and that the railroad received for hauling it about 1,300 miles, was 1.67 cents a pound, or \$33.30 a ton. On the same date cabbage retailed in Chicago for 7 cents a pound, or \$140.00 a ton, or \$106.70 per ton more than the total amount that the producer received for producing it, and that the railroad received for bringing it to Chicago. Where did this \$106.70 per ton—which was 75 per cent of the total retail price—go to? A very large part of it went into the pockets of the commission men who are carrying on the present propaganda, and the rest went into the pocket of the retailer.

With this and other illustrations as text, the *Age* goes for the commission merchant:

There recently have been loud complaints from the same general source upon the ground that the rates on fruits and vegetables from Florida have been so high as to interfere with their shipment. Chairman Clark, of the Interstate Commerce Commission, investigated the matter and ascertained that from November 1, 1919, to February 28, 1920, the number of carloads of fruits and vegetables shipped from Florida by rail was 26,886, while from November 1, 1920, to February 28, 1921, under the present freight rates, the number of carloads shipped was 28,420, an increase of 1,534 carloads.

It has long been known that the commission merchants dealing in fruits and vegetables have been among the most remorseless profiteers in this country. The above facts show that in addition to continuing their efforts to enrich themselves by paying producers as little as possible for their products, and charging consumers as much as possible for them, they are now trying to force down freight rates by a campaign of falsification.

Whatever the final cost to the consumer the transportation charges seem high when compared with the producers' return. How much of this is labor? It is hard to say, but a very considerable part. *The Iron Age*, which dwells on the charges of its railway neighbor and namesake, talks of "throttling the railroads by inequitable wage schedules," and cites this instance:

Chairman L. F. Loree, of the Kansas City Southern Railway Co., in a letter to the stockholders of that company, cites specific instances of excessive labor cost. Here is one:

On one of our branch lines we run a passenger train making two round trips each day. On this train we employ a colored porter, who also acts as a brakeman. In 1909 we were paying this employee \$44.80 per month. In 1914 we were paying him \$47.80 per month. Due to the various changes made by the Director General and continued by the United States Railroad Labor Board we paid him in

November, 1920.....	\$266.71
December, 1920.....	281.07
January, 1921.....	271.89
February, 1921.....	237.83

He could readily be replaced at \$75 per month were we freed from the shackles of the laws which fix both conditions of employment and rates of pay.

Why Shipping Board Ships Failed in the Baltic Task

SHIPPING of London cites the *Journal de la Marine* as its authority for some comment on the ways of our Shipping Board. Says *Shipping*:

About eighteen months ago Mr. Eugene Chamberlain, Commissioner of Navigation at Washington, suggested the idea of using available American tonnage in the local traffic of various countries, such as the Baltic traffic. Accordingly a considerable number of American vessels betook themselves to that region, being for the most part ships of from 1,000 to 4,000 tons. Loaded with coal for the outward voyage they were in an advantageous position to convey timber cargoes from the Baltic to France, Holland, the United Kingdom, the Mediterranean and occasionally South Africa.

But, according to a report just published in America, the results of this scheme have not been satisfactory. The vessels, even though of moderate dimensions, had yet too great a draught for the usual depth of water in the Scandinavian loading ports. Besides, although these boats were completely provided with tackle for loading and unloading at quays, they were found badly equipped for these operations in open roadsteads.

But the principal criticisms apply to the administrative and management of the ships. The establishment of agencies by the Shipping Board has been mischievous in practice, for it was necessary to refer to Washington for the slightest transactions or commitments involving expense, which not only retarded business, but even frequently imposed most irritating delays on loaded ships and prevented their clearance. The agents and employees of the

Board seem to have been treated like infants in a nursery. The bureaucratic spirit, it is remarked, is evidently beginning to predominate over the democratic spirit in Washington. And elsewhere, too, we may add, if it is not vigilantly watched.

Two Views of England's

Industrial Future and Ours

FREDERICK P. KEPPEL, the American Commissioner in Paris of the International Chamber of Commerce, calls attention to an article in *Engineering* (London) by Lord Wier, of Eastwood, a distinguished British engineer. His view of Great Britain's future is well worth attention:

Our population can only hope to support itself on a decent standard of living by operating an almost purely industrial community working under conditions of extreme efficiency, conditions involving a high perfection of organization, a higher standard of technical progress, coupled with complete unity of effort on the part of the associated authorities.

We must also recognize the brutal fact that our present standard of life must inevitably fall from its present level until the disorganized portions of the world are again in a position to produce and interchange goods with us and enable us to produce and sell not only on a quantitative scale, at least as great in proportion to our population as in 1913, but on equally efficient terms. Our existing standards of living can only be maintained by a quantitative production per head greatly in excess of that in 1913 and under a state of man-hour efficiency at least equal to that of 1913. . . . We are now a poor nation requiring to interchange goods and to compete with nations both richer and poorer than ourselves.

For example, if the German steel worker or coal miner is prepared to rebuild the prosperity of his country by working conscientiously for ten hours a day at a low remuneration, then we are with only three alternatives—first, to do the same as the Germans; second, to find some methods of achieving the same results by greater efficiency of effort; or, lastly, to reduce our population through emigration.

I am one of those who believe that we should do our utmost to help the ex-enemy nations and other unfortunate communities of the world within the limit of our slender means; but the most fruitful helpful influence for everyone can only come from the results of our own increased domestic efficiency and economy.

Lord Wier would have "no artificial measures to build up trade barriers of any kind" in Great Britain, recognizing that her one "key industry" is food production and that she cannot produce her own food.

Contrast with this a view of our own economic future given in *Wallace's Farmer*, which sees the Atlantic seaboard as "the England of the United States" demanding free raw materials:

It must be frankly recognized that even before the war this section was very uneasy about the high prices of farm products. More and more the people on the Atlantic seaboard are thinking about cheap foods from Argentina, Australia, and Siberia.

We must recognize that the natural tendency of the times is for the Atlantic seaboard cities to draw an ever-increasing proportion of their food from across the water. Congressmen from this highly centralized industrial section at the present time are extremely dubious about the Fordney Emergency tariff bill. But the one argument which really makes up their minds is that they fear the cost of living and the cost of manufacturing will be made higher in the East if the bill goes through.

BEER was not so plentiful in Germany during 1920 as before the war, not by half, and coffee was used to only one-third of the amount consumed in 1913. The pre-war number of cigars was cut in two, and only cigarettes showed a figure higher than in 1913. Altogether, however, Germany in 1920 spent twenty-three billion of her depreciated marks for beer, wine, coffee, tea and tobacco.

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**A super-powered truck—it is
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load on any road**

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The new Federal 5-6 tonner with its 50 horse-power engine, its extra strength of construction and additional refinements of design gives unusual efficiency under all road conditions. It is shown here working in the bottom of the excavation of the new Masonic Temple, Detroit, Michigan.



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FEDERAL**

Federal was made in accordance with one of the above lists

Log of Organized Business

COMPLETE recasting of the Federal Civil Service with adequate pay for the army of more than half a million Government employees, is urged by the Committee on Budget and Efficiency of the Chamber of Commerce of the United States.

The report of the committee was sent out to a referendum vote of the 1,400 industrial and commercial organizations within the Chamber's membership. It presents nine recommendations dealing with reclassification of personnel and related problems. The propositions to be voted on are as follows:

I. The present system under which personnel for the federal civil service is secured and managed should be recast.

II. Adequate and uniform pay under essentially like conditions should be established as a fundamental principle for the federal civil service through reclassification and regrading.

III. Reclassification should be by statute based on investigations already made and further investigation by the Civil Service Commission.

IV. Reclassification should be installed by the Civil Service Commission and the Budget Bureau and current correction made by Congress aided by these agencies.

V. Promotion should be given statutory recognition as the preferred method for filling vacancies, with lines of promotion clearly defined and promotions made upon the basis of proved merit under civil service regulations.

VI. All administrative officers not responsible for determining policies should be included under civil service rules.

VII. Transfers between departments should be regulated by executive orders consistent with the civil service law.

VIII. Efficiency records should be developed by the Civil Service Commission.

IX. Removal of an employee should be possible upon a written statement of reasons to the employee with opportunity for written reply, but without right of appeal above the head of the department.

The ballot is accompanied by the full report of the committee, which supports in detail the recommendations, and by arguments in the negative. The aim is to give the members of the Chamber the fullest information available with respect to the propositions on which they are asked to vote. The arguments against the propositions advanced call attention to the fact that reorganization of Government departments already has been proposed and that it might be well to delay any recasting of the Civil Service until this has been accomplished. Other objections to the committee's report also are brought out.

Members of the committee making the report are as follows:

W. L. Clause, manufacturer, of Pittsburgh, chairman; Paul W. Brown, editor, of St. Louis; W. H. Cowles, editor and publisher, Spokane, Washington; John A. Fairlie, economist, of the University of Illinois; Frank J. Goodnow, president Johns Hopkins University; Henry I. Harriman, engineer, Boston, Massachusetts; W. P. Sidley, lawyer, of Chicago; George G. Tunnell, commissioner of taxes, Atchison, Topeka and Santa Fe Railway, Chicago; Paul M. Warburg, financier, of New York City; W. F. Willoughby, director of Institute for Government Research, Washington.

Iowa Business Congress

ALTHOUGH a small State, Iowa, which has produced two living Secretaries of Agriculture, and which fathered George E. Roberts, America's most interesting economic philosopher, might lay claim on this showing alone to a noteworthy intelligence and energy.

Those who attended the recent session of the Third Iowa Business Congress assert that this gathering gave further corroboration of the claim. E. T. Meredith, one of the Secretaries of Agriculture aforementioned, was among those present; and George W. Simmons and Harry A. Wheeler were among the speechmakers.

The Iowa Business Congress is a unique device for bringing together the various factors in the State's industrial distributive machinery, for discussion of common problems. R. H. Faxon, secretary of the Des Moines Chamber of Commerce, is responsible for the idea and in large measure for its success.

"Merchandising is not a lost art," says Mr. Faxon. "It may have been temporarily suspended during the war and since the war, but it is about to be resumed. The Iowans who attend the Business Congress are brought together for information and help and vision."

On this basis the merchants and wholesalers and bankers of Iowa gathered in Des Moines April 6-8. They heard not only Mr. Wheeler and Mr. Simmons, but H. H. Merrick, president of the Mississippi Valley Association, George W. Woodruff, president of the Illinois Chamber of Commerce, Charles P. Craig, director of the Great Lakes-St. Lawrence Tidewater Association, and others as well known. That these busy men found time to journey to Des Moines for the Congress was an evidence of its importance in their minds.

The topics discussed included advertising, salesmanship, merchandising, turnover, banking and credits, agriculture, export trade, transportation, building, motor trades. Alvin E. Dood, manager of the Domestic Distribution Department of the Chamber of Commerce of the United States, who attended the Congress and delivered an address, returned full of enthusiasm over the character and spirit of the gathering.

"Not all the speakers on that program were trained orators," Mr. Dood observed, "but everyone of them had something more important than rhetoric. Every one of them had something definite to say, and said it. I was especially impressed by the great number of young men in attendance. It has been my observation that young men either lack the funds to attend such meetings in numbers, or that they are restrained by their superiors. It was clear that all Iowa believed in the Congress and the good it could do."

Mississippi Valley Meeting

AGRICULTURE, foreign trade, the merchant marine, reclamation, and transportation as they affect the 27 States comprising the Mississippi Valley territory, were the chief topics at the third annual convention of the Mississippi Valley Association, held at New Orleans, May 2, 3, and 4.

Among the speakers to address the convention were James A. Reed, United States Senator from Missouri, and a waterway advocate; President David Kinley, University of Illinois; Herbert Hoover, Secretary of Commerce; Archibald Kanes, president, Federal International Banking Company; P. H. W. Ross, president, National Marine League; E. T. Meredith, former Secretary of Agriculture; John R. Howard, president, American Farm Bureau Federation; M. J. Sanders, former federal manager, Mississippi-Warrior Barge Line; Cleveland A. Newton, author of the Newton Waterway Bill; John H. Small, president, Rivers and Harbors Congress; Dr. Charles A. Eaton, editor of *Leslie's Weekly*; Mrs. Katherine Clemmons Gould, president of the Women's Chamber of Commerce of the United States, who has just returned from Europe, pending negotia-

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If you require special or automatic machinery for any purpose—

Taft-Peirce has the skilled workmen and shop organization to design and build it.

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There is plenty of business—*somewhere!* Orders are waiting right now for the sales manager who takes off his coat with a smile and lays out an aggressive sales campaign. "1921 will reward fighters."

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4. Amount sold by each customer by lines.
5. What lines are selling best in each territory.
6. Total business of each territory.

Right now is the time for you to decide where you are going to be on December 31. *1921 will make or break many a sales manager!*

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Boston	New York	Philadelphia	Chicago
43 Federal st.	316 Broadway	910 Chestnut st.	6 N. Michigan ave.
Albany, 31 State street	Louisville, Ky., 528 Republic bldg.	Washington, 743 15th street, N.W.	
Atlanta, 181 N. Pryor street	Milwaukee, 439 Caswell block	Worcester, 517 State Mutual bldg.	
Baltimore, 14 1/2 light street	Minneapolis, 425 Second avenue, South	Distributors	
Birmingham, Vault Floor, Jefferson County Bank bldg.	New Orleans, 512 Camp street	F. W. Wentworth & Co.,	
Bridgeport, 808 Main street	Newark, N. J., 31 Clinton street	San Francisco, 533 Market street	
Buffalo, 120-122 Pearl street	Pittsburgh, 625-629 Oliver bldg.	Seattle, 188 Cherry street	
Cleveland, 341 Superior arcade	Portland, Me., 485 Main street	Oakland, 385 Thirteenth street	
Columbus, 35 South Third street	Providence, 75 Westminster street		
Denver, 418-416 Gas and Electric bldg.	Richmond, 1225-34 Mutual bldg.	McKee & Wentworth,	
Des Moines, 228 Hubbell bldg.	St. Louis, 300-35 Arcade bldg.	Los Angeles, 440 Pacific Electric bldg.	
Detroit, 1414 Washington bldg.	St. Paul, 131 Edmunds arcade	Parker Bros.,	
Fall River, 28 Bedford street	Scranton, 408 Cornhill bldg.	Dallas, 108 Field street	
Hartford, 75 Pearl street	Springfield, Mass., Whitney bldg.	C. G. Adams,	
Houston, 1116 Texas ave.	Syracuse, 401-407 Gurney bldg.	Salt Lake City, 304-306 New bldg.	
Indianapolis, 213 Merchants Bank bldg.	Toledo, 430 Spitzer bldg.		
Kansas City, 313 Ozark bldg.			
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			Paris

tions for the organization of an international women's commercial body; and Theodore E. Brent, traffic manager, Mississippi-Warrior Barge Line.

Municipal Ownership

CAN A CITY successfully manage an industry? The Springfield, Ill., Chamber of Commerce has worked out a plan for the solution of their public utilities problems by putting "municipal ownership on trial." The plan provides for the floating of a \$500,000 bond issue by the city and the formation of a \$500,000 citizens' holding company by the Chamber of Commerce, the \$1,000,000 to be paid to the private utilities company for its heating and electric properties, and a mortgage given on the properties for the remainder of the value, now being fixed by a board of arbitration.

The city is then to operate the combined properties, paying a rental sufficient to meet the interest on the mortgage and the stock in the citizens' company, and to set aside enough to retire both the bonds and stock out of the earnings of the plants within twenty years.

Failing in this provision and several other technical requirements, such as maintenance, the property reverts to the citizens' company along with a thirty year franchise which then becomes operative, and the holding company may either sell or operate the properties to pay off the indebtedness.

The \$500,000 worth of stock was oversubscribed in a recent campaign conducted by the Chamber of Commerce team workers and the value of the property is now being determined, prior to the voting of the bond issue and the franchise by the citizens.

The Ideal Director

ON its nomination ballot the Fall River, Massachusetts, Chamber of Commerce defines the ideal director as one who should:

1. Possess the public confidence;
2. Be a leader in his own sphere and nationality;
3. Be open minded;
4. Be tolerant, yet forceful;
5. Be tactful and considerate;
6. Be non-partisan in board matters;
7. Be willing to work;
8. Lend prestige to the board;
9. Not use board for personal ends;
10. Have absolute faith in Fall River and the Chamber.

It defines the ideal board of directors as one which should:

1. Be representative of business and other groups;
2. Be capable of team work;
3. Be thorough in everything;
4. Be expeditious;
5. Observe the ethics of board meetings.

Admitting Professional Men

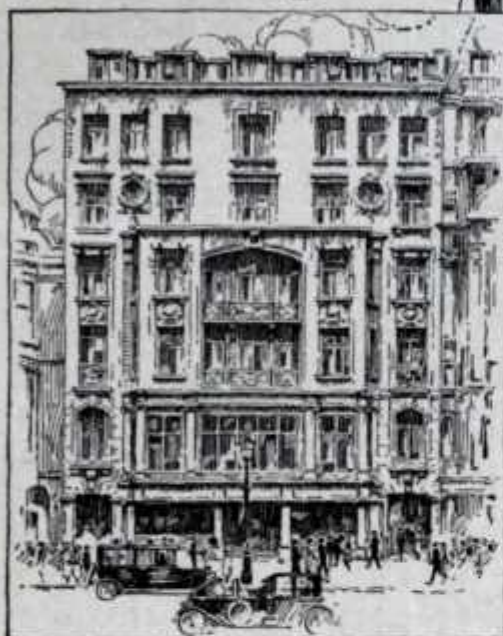
THE La Crosse, Wis., Chamber of Commerce recently created what it calls a Bureau of Professions, to which lawyers, doctors, dentists, civil engineers, architects, certified public accountants, etc., have been admitted. This gives the professions, we are informed, a direct representation upon the board of directors and it also welds them together in a representative way to look out for matters which are of interest to any one of them, as a group.

"How's Business?"

IN an effort to solve the universal question, "How's Business," the Oklahoma City Chamber has issued a questionnaire to every commercial organization in the State, requesting a survey among business men of the various cities and towns, that will give a definite answer to the question.

The Chambers are requested to interview a representative number of dealers in various lines of merchandise so that the replies will cover all industries of the State. The stabil-

American Banks in Europe



(Above) Pall Mall Office, London
(Below) Paris Office



Brussels Office



Constantinople Office

For the Traveler Abroad

AMERICANS abroad will find awaiting them at all of our European Offices a service valuable in solving numerous travel problems.

At any of these offices—which are American banks with American methods—you can obtain courteous aid in securing accommodations, planning further details of your trip, and clearing away any difficulties that you may have encountered.

This service is completely at the disposal of holders of *Guaranty Letters of Credit* and *Travelers Checks*.

Guaranty Letters of Credit, in Dollars, Sterling, and Francs, are available throughout the world. Guaranty Travelers Checks are very convenient for day-to-day expenses. Both these forms of funds enable you to obtain foreign money at favorable rates of exchange. And if lost their value can be recovered.

At banks throughout the country. Ask your bank for booklet, *Guaranty Service to Travelers*, or write to us for a copy.

Guaranty Trust Company of New York

140 Broadway

Fifth Avenue and 44th Street

Madison Avenue and 60th Street

268 Grand Street

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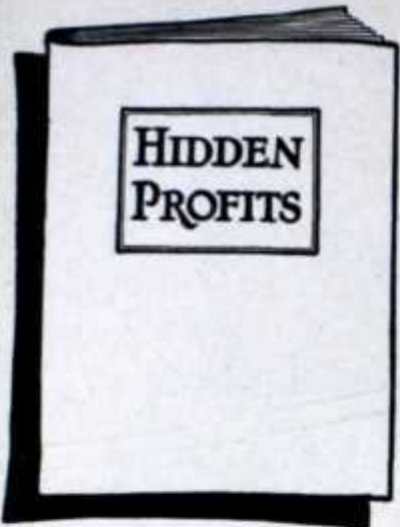
LIVERPOOL

HAVRE

CONSTANTINOPLE

Capital & Surplus \$50,000,000

Resources more than \$800,000,000



HIDDEN PROFITS

Watch the Costs

—the PROFITS take care of themselves

"In the two years since the Estes Company started work in our establishment, we made a larger gross profit and a higher percentage of net profit than at any corresponding time in the twenty-eight years preceding." —Statement by a Midwestern Manufacturer.

In this business there were many ways of increasing net profits which remained hidden for 28 years.

It is fundamental that experienced, skilled, industrial engineers, by the application to factory operations, of sound common-sense principles, can cut operating costs and increase net profits in ways which do not appear to owners in their full significance.

Have you considered to what extent this opportunity may exist in your plant?

Send For Booklet

L. V. Estes, Incorporated, has just published a remarkably readable booklet: "Hidden Profits". It tells clearly what industrial engineering service is—how money can be saved and how new directions of increasing profits can be found by the application of methods which apply effectively to any manufacturing business. A copy of the booklet will be mailed to interested executives without charge or obligation. Please write on your business stationery.

Merely ask for Booklet No. A213

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REMINDER TO WRITE FOR BOOKLET

ity of the city and farm trade is also given particular attention, as is the status of marketing among the farmers in relation to their individual products.

Municipal Progress

MODERN ideas of governmental organization and administration in city governments have brought about a marked increase in practical efficiency during the last twenty years, according to a report recently issued by the Civic Development Department of the Chamber of Commerce of the United States. This report presents a compilation of the various forms of municipal government in operation in the United States, prepared in response to inquiries received from civic organizations for information on this subject. The report was compiled for the benefit of member organizations of the Chamber, without any intention of advocating a particular form of municipal government. The report says:

The earliest form of municipal government in this country—and today the most prevalent—is the federal. Under this plan local legislation is delegated to a popularly selected board or council, and the responsibility for the execution of such legislation is in charge of a mayor and other city officials, some of whom are elective and some appointive.

Because of the creation of its Board of Estimate, New York may claim to be the first American city to adopt the theory of government by commission. The term "commission government," however, is of later origin, having first come into prominence when the city of Galveston, Texas, decided upon certain changes in its form of government. With their city in ruins after the flood of 1900, the Galveston citizens decided that speed in reconstructing their city was essential. To achieve this end a commission of five experienced business men was elected, with exceptionally broad powers and responsibility in the conduct of public business.

The Galveston plan was developed in response to urgent need, and it was to be expected that defects would appear. Des Moines, Iowa, in changing its form of government, used the Galveston plan as a foundation, but added the Initiative, Referendum, Recall, and Protest and provided that the power to grant franchises be kept in the hands of the voters. Many American cities followed Des Moines' lead, and as a result there are today more than 400 cities which are operating under the commission plan of city government.

The first city to adopt what is now referred to as the "City Manager Plan" was Sumter, South Carolina. In the summer of 1912 this city—which had about 8,000 inhabitants—adopted a new charter, and began operating under the city manager plan the year following. The example of Sumter was shortly followed by two neighboring towns—Hickory and Morgantown, North Carolina.

Dayton, Ohio—as in the case of Galveston—decided upon a change in the form of its city government after the disastrous flood of 1913. Dayton gained considerable initial publicity for its new form of city government by offering the job as City Manager to General Goethals, of Panama fame, at a salary of \$25,000 per year.

Interest in the city manager plan reached its height in 1918 when 25 cities adopted the new form of government. The city manager plan was even recommended in reports prepared for New York City and Chicago.

Among the larger American cities that have adopted the new form of government, the following may be mentioned: Akron, Ohio; Dayton, Ohio; Grand Rapids, Mich.; Norfolk, Virginia; Wichita, Kansas; Sacramento, California; Springfield, Ohio; Portsmouth, Virginia; Wheeling, West Virginia; Tampa, Florida; Roanoke, Virginia; and Niagara Falls, New York.

After enumerating numerous sources of information on municipal government, the report says that, "the Civic Development Department of the National Chamber is at all times glad to serve as a clearing house for information and advice on matters of civic interest for member organizations."

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New England Bank

Capital,
Surplus and Profits
\$37,500,000

Tax Imports at American Values

By MARION DE VRIES

Associate Judge, United States Court of Customs Appeals

PRACTICALLY every foreign country is girding itself about with every possible instrumentality for home market protection, including special and largely increased import duties, and dumping and discriminating tariff laws. We must furthermore be mindful that many nations are constitutionally or legally prepared to effect, administratively, quick changes in their tariff rates so as to meet swiftly any sudden and particular emergencies threatening their production and markets, while we are constrained by the more tardy process of general legislative action to effect these ends.

In this commercial status it behooves the Government at Washington, if commercial prosperity is to be assured, to arm and equip the administrative forces with every possible instrumentality of commercial defense and exchange. Searching examination should be had of all laws and their administration calculated for any of these purposes, and where found deficient or inefficient they should be repealed, amended or new laws enacted more effective of the respective requirements of the day.

Without doubt none of these will be found so entirely inefficient as the present legally provided system of estimating import ad valorem duties upon the basis of foreign valuations. When one recalls the legislative history of these laws from the foundation of the Government to date, with the ever-present current denunciation thereof by the statesmen of the day, and their constant and repeated amendment, one marvels that they yet disgrace our statute books. It is without parallel in history that a system so obviously and flagrantly unequal, uncertain and inefficient, so logically and necessarily faulty, should have survived the just denunciation of more than a century.

The present Congress, in full knowledge of the inefficiency of such a basis of tariff valuations, and to meet the more exacting demands of immediate foreign trade, is proceeding with a determination to adopt the American valuation for our ad valorem import duties. That is the most important issue of tariff legislation presented to the Congress since 1833 affecting import customs duties.

Uniformly the mere suggestion of the assessment of import duties upon American valuation has been, and is today being, assailed as a scheme to increase duties inordinately. As this and every other basis of duties is relative, that criticism fails of its own weight. The basis of duties alone levies no duty, and alone neither makes high nor low duties. Consequently a preliminary adoption of American valuation of duties in nowise forecasts the character or extent of the duties subsequently to be laid upon that basis.

Witness the fact that so-called "free trade England" legally prescribes home valuation in the levy and collection of import duties, while the United States, deemed a highly protected country, employs a foreign basis of tariff valuation. Whether or not any basis of tariff valuation becomes a factor of either high or low duties, it seems trite to say, depends entirely upon the rates of duties based thereupon; so that advance criticisms of the adoption of American valuation as a basis of dutiable calculation, without knowledge of the rates to be imposed or the complete system

An Asset Not Measured In Dollars Alone

MANY business men have come to consider their account at the Bankers Trust Company an asset not measured merely by the size of their balance on deposit. They believe that the wealth of business information placed at their disposal here, and the conservative business counsel always available to them are worth a great deal as supplementary to their own ability and resources.

A connection with the Bankers Trust Company may add a helpful, steadying influence to your business now.



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NO matter where your business is established, a banking connection in Chicago will bring you into close contact with all parts of the country and give you the advantage of a radiating banking service that is always in touch with the nation's financial and industrial centers. Such service has practical value for it frequently effects the saving of both time and money.

From Chicago The Continental and Commercial Banks extend banking service to the entire world. They constitute a strong, reliable financial group, possessing the organization, experience and facilities to respond effectively to the demands of American enterprise.

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Complete Banking Service

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of valuation to be provided, is without the slightest foundation, bespeaking concealed apprehension more than logical presentment.

All nations, through long experience, have come to know and adopt market value as the best basis of ad valorem import duties. More now than ever, incident to the world's disturbances, but always to a marked degree, the market value of the same goods differs in every country. Indeed, international commerce depends and thrives upon that difference. A tariff valuation based upon a foreign market valuation "of the country of exportation" not only results in a different basis, but a different amount of duties collected upon the same goods when imported from the several different countries, and, of necessity, therefore, instead of a uniform basis, as to every country, of tariff valuation, upon the same article, we have as many variant bases and different amounts of duty collected as there are countries of exportation.

During the month of February, 1921, goods were imported into this country from 107 different foreign countries, colonies, or dependencies. Wherefore there were, under the existing system, 107 different bases adopted by the appraising officers for estimation of our ad valorem import duties, and 107 different amounts of duties upon the same imported article. Furthermore, every financial panic, every commercial upheaval or depression, every political disturbance occurring in any foreign country exporting to this country registers a change, and often radical changes, in the valuation basis and consequent amount of our import duties.

Uniform rates of duty, upon the uniform basis of American valuation, however, alone, under an ad valorem system, will at once preserve equality and stability at home and uniformity in effect as to all foreign countries.

Take Corn as an Example

TO illustrate: Assuming that it costs \$1 in the United States to produce and market a bushel of corn, in England 80 cents, in France 50 cents, and in Japan 30 cents, and that our rate of duty upon a bushel of corn is 25 per cent ad valorem. If duty were collected in this status, upon foreign cost, as is done today, the bushel of corn would pay duty, when imported from England, 20 cents, from France 12.5 cents, and from Japan 7.5 cents. In that case the corn would enter the markets of the United States from England valued at \$1, from France 62.5 cents, and from Japan 37.5 cents. That is the present system, from which it is apparent that instead of affording equality it works added inequality between the exporting countries. Necessarily under this system the less the cost or value in the country of exportation, the less the duty, and thereby the greater the advantage in our markets as the result of our duty imposition.

If, however, duty were rated upon the American value of \$1, less duty, there would be levied upon the bushel of corn from each country the same duty, 20 cents, making the cost of the article as it enters our markets from each country, respectively, England \$1, France 70 cents, Japan 50 cents, a net increase in amount of duties of 60 as against 40 cents, or 33 1-3 per cent. The result is that American valuation would not only collect exactly the same duty upon the same article when exported from any and every country, but substantially greater revenues.

There is, however, another highly significant and important lesson disclosed by the foregoing illustration, to wit, that, in so far as foreign countries are relatively affected,

American valuation would not only affect each exactly alike, but as to them the ad valorem duties so collected would bear upon their trade and commerce exactly as would specific duties. This development not only justifies and demands the adoption of American valuation, but at the same time indicates why long since the vast majority of the great trade nations of the world have adopted and adhere either to home valuation or specific duties.

To continue the illustration: It has been said that under American valuation or specific duties, the corn would enter our markets *duty paid*, valued from England \$1, from France 70 cents, and from Japan 50 cents. In such cases Japan and France could each not only drive England out of our markets, but undersell our trade. Moreover, Japan in turn could also drive France out of our markets. And, generally, that condition is exactly what today is disturbing and will, until remedied, continue to disturb, the foreign trade of every nation.

It follows, that whatever the basis of valuation, whether the levy of duties be ad valorem or specific, any practicable exercise of the power to levy and collect duties alone will not and can not in all cases accurately or needfully equalize in our markets the differences in cost of production, existing between foreign countries, or between this and foreign countries. There must, therefore, be some additional cooperative equalizing measure to place the importations of every country in our markets upon an equal footing between themselves and with our productions.

To endeavor to meet this situation by different rates affecting variously different countries or localities by class, according to cost of production or labor or both, would not only be impracticable, but, in view of the swift changes in costs of labor, materials and exchange values, impossible. Such a measure, in order to be effective, must be elastic and swift of determination and application. Maximum and minimum provisions or other legislatively prescribed rates would, therefore, be entirely inadequate as impossible of quick change. Adequate remedy must be one of administration and can not effectively reside in the necessarily slow remedy of congressional action.

Obviously uniform duties in the presence of divergent costs of production in different countries can not be made to equalize all differences in such, unless made so high as to cover that difference between this and the country of lowest cost of production, which would no doubt result in an embargo upon the goods of the countries of higher costs of production.

A Mathematical Demonstration

A SPECIAL duty alone, fixed upon a floating basis according to the variations of sales prices or costs of production, a duty which rises and falls, contracts or expands, as compared with a single, and that our market, will at all times—in all emergencies—together with the duties otherwise by law provided exactly measure and meet our trade requirements, and, at the same time, equalize in our markets the competitive value of the goods of all other nations therein competing. Such provision should, continuing the stated illustration, add an amount of 30 cents to the French and 50 cents to the Japanese duties, wherefore, all would enter our markets on an equal basis, one with all others, and, each with our products, to wit, each costing duty paid in our markets \$1.

There is here then mathematical demonstration that by such a legal provision, and



Trading with the Land that was Born Lucky

KIPLING rightly called her *The Land That Was Born Lucky*. For Canada has the greatest reservoir of natural wealth in the world—vast forests, mountains of minerals and millions of acres of untilled arable land. She is building wisely with her wealth, exporting part of her surplus in exchange for the things she needs.

Our neighbor and best friend among nations sends nearly half her exports to this country, and buys three-quarters of her imports from us. In raw materials and finished merchandise, each country has much to offer the other, with advantage to both. The constant growth of Canada's population insures that new opportunities will continue to appear for expanding this trade, which now approximates \$100,000,000 a month in both directions.

Considerable of this great commerce moves via New England and is financed through THE NATIONAL SHAWMUT BANK. As a result of long experience, we are particularly well equipped to cooperate in building up and financing north- or south-bound trade. Correspondence is invited.

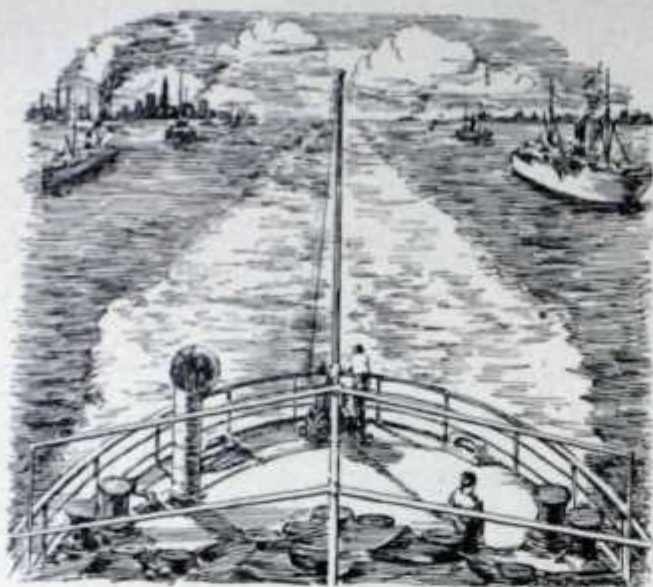


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The growth of the Port of Philadelphia has a sound economic justification which appeals to experienced shippers. The greatest freshwater port on the Atlantic Seaboard, with thirty-seven miles of water front, it enjoys exceptional geographical, railroad, loading and terminal advantages.

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THE
**PHILADELPHIA
NATIONAL
BANK**
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by such alone, can we equalize in our markets the competing force of the products of the several nations and protect our products and labor against the cheaper labor and lower cost of production of all other countries. The pleasing and humanitarian value of the proposition is that it rests most heavily upon the products of those countries of cheapest labor, thereby offering inducement for all affected nations to devote the moneys representing this difference in duties upon their own labor rather than pay it into a foreign treasury.

Business of Organization

ONE OF THE most interesting and encouraging developments of the past dozen or fifteen years has been the local Chamber of Commerce, not only in the ten largest cities, but in the smaller, progressive communities which have to realize that by well-directed and united effort they can secure for themselves advantages that otherwise would not come within the lives of the present generation.

As business men we realize that such organizations, if they are to be of continuous usefulness, if their achievements are to be more than beneficial, must have an executive who can not only devote all his time to them, but whose interest will be so constant and so keen that he will seek to learn from every available source how his organization and he himself may become more effective.

The profession of commercial secretary is still a young profession. Much valuable experience has been gained, but this experience is still widely scattered, one chamber has learned certain things, another others. This new business, which concerns and profits us all, can benefit from a natural exchange.

With the cordial support of the Chamber of Commerce of the United States, the National Association of Commercial Organization Secretaries has established a school at Northwestern University in Evanston, Ill., which will give them the exchange of experience and the instruction in fundamentals that they believe will make them more effective in this work and, through them, make their local chambers of commerce of greater service. The National Chamber, having in mind the possibilities the school holds out for rendering more effective the work of all local chambers, for these local chambers are its foundation, has officially endorsed the project.

We have heard much of the necessity, not only of the national, but international, thought, the improvement of national cooperation and, in turn, of international cooperation. In the last analysis our ability to cooperate along these lines efficiently depends upon the completeness of the methods, the devotion, and the energy of our own local organizations.

I wonder if we fully appreciate the importance to the business life of this country of the secretaries of these organizations, particularly of the demands that we make upon them today, not only to operate their offices efficiently, and not only to have knowledge of the great problems concerning their respective communities, but, in turn, to be encyclopedias of information on all of our great national questions, and now again we are asking them to be fully posted on these great international questions which confront us.

Yet it seems, to many of us, that we are

not giving the secretary the time and opportunity, and affording him the chance for study and development which he ought to have if he is to serve us to the point of highest efficiency and be of greatest use to his community. We must think of the secretary frequently, not from the viewpoint of the large city which has ample means to place at the disposal of its organizations, but we must realize what the problem is in relation to the city of average size, in the United States, where these organizations have begun to find themselves so rapidly in the last dozen or fifteen years.

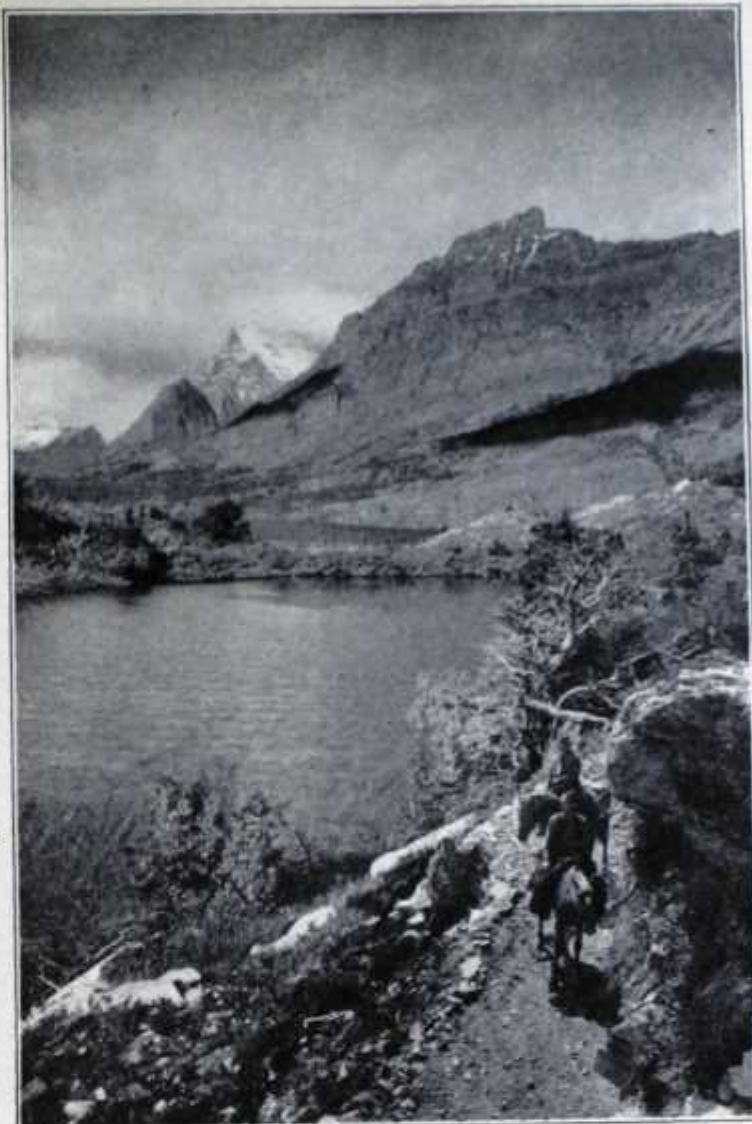
The business of conducting a commercial organization within that period has begun to grow and to assume the form of a real plant. The opportunities for the exchange of information, as a result of meetings of the secretaries, and as a result of our annual gatherings, have been extremely interesting; but every year new and ambitious young men are being brought into this profession who are eager to learn all they can and to serve their communities to the very highest point. Now, we established this school for the purpose of teaching them the fundamentals of their profession, and likewise of affording an opportunity to secretaries already of ripe experience of coming together and exchanging the results of their effort; and the opening of this school, and the work proposed during the coming two or three weeks this summer, is something which should attract the thoughtful attention of each organization.

A Decision Must Be Made

THE officers and directors of these organizations are the men who must decide whether there is opportunity to develop further the capacity of their own secretaries. One phase of this subject has impressed all as we have discussed it. This is the amount of waste and loss which goes on in our cities as a result of the inexperience of the organizations and of many of the secretaries who undertake their tasks with enthusiasm, who are ready to try new experiments in bringing industries to town and building factories, and undertaking one enterprise after another without having opportunity on their own account to know the result of similar experiments in other fields. There have been interesting surveys of the results of some of these experiments, and it is certain that, if the facts were brought out, business men would be amazed at the total of the immense losses which have resulted in this country out of experiments in that direction as a result of inexperience.

The founders are sure, as a result of the consideration of the problem, that the small amount involved in the expense of maintaining this school and giving the secretaries opportunity to secure all the advantages it affords, are nothing, as compared with the losses and wastes which go on in organizations, even the best of them. If a secretary has the get-up-and-go, and enthusiasm, to desire to go out and acquire further knowledge and intelligence, he should be helped to the full extent of the power of the organizations.

Is it not a fact that the commercial organizations, if they are really to reflect business intelligence and experience of this country, should be examples of the very best methods in business, of the highest efficiency in business? If ever, through organizations, the support of the best men of each community is to be enlisted, then, indeed, the organizations should be an example of the very best that can be done in thorough-going work.



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To Create a New Foreign Credit Machine

THE NEED of long-time credit machinery in foreign trade, and the imperative necessity of an excess of imports over exports, were the main themes at the eighth National Foreign Trade Council's meeting, May 4-7, inclusive, in Cleveland. The program included many distinguished speakers.

The convention adopted a report, which was sent to President Harding and all members of Congress, embodying the recommendations it had heard, and of which it approved, as follows:

Immediate creation of financial institutions under the Edge law to facilitate extension of long term foreign credits and promote free exchange of imports and exports.

Economies in cost of production until a stable balance of all values of all commodities and productive efforts is established.

Reduction of costs in railroad transportation for domestic and export shipments.

Encouragement and development of the American Merchant Marine, revision of shipping laws to place America on an equal footing with foreign competitors, and enactment of the marine insurance measure now pending in Congress which is characterized as "a model upon which uniform State legislation may be based."

Creation of international machinery to prevent future violations of the sanctity of contracts.

The establishment of a national training academy as part of a reorganization plan of the United States Foreign Service.

Enactment of the China Trade act.

Abolition of double taxation to exempt American investments in foreign countries from domestic income tax.

Burdens of Double Taxation

THE topics discussed at Cleveland were discussed also at the Atlantic City convention of the Chamber of Commerce of the United States, so that space precludes the attention the speeches deserve. Daniel R. Williams, of the American Chamber of Commerce in Manila, told of the burden American shipowners and foreign traders were forced to bear through double taxation, saying, in part:

To compel American shipowners and American import and export houses to rely upon foreign agents abroad is to invite almost certain failure. It is altogether natural that the nationals of competing nations should divert business to their own countries and to their own shipping whenever and wherever the weakness of American competition makes it possible.

The commanding position achieved by Great Britain in her overseas commerce is due in very large part to the presence of British resident merchants in practically every port and market of the world. The encouragement offered such merchants is evidenced by the fact that today, despite the urgent need of Great Britain for revenue, no tax is imposed upon the local income of British subjects resident abroad. This attitude of co-operation and helpful assistance assumed by Great Britain toward her nationals engaged in foreign business is followed by practically all the great trading nations of the world.

Our Government, however, with its expensive and elaborate foreign service organization, has failed utterly to recognize the essential rôle played by its foreign merchants, and the imperative need for safeguarding their interests. Instead of extending help and protection to them, or offering encouragement to those who might be induced to venture their capital and efforts abroad, it burdens them in such manner as to render success doubtful if not impossible. No American can establish a business in any foreign country today without facing the fact that the disadvantage worked on him by this income-tax requirement may nullify his efforts and leave him at the mercy of his more

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fortunate rivals. Those who have actually sat in this foreign trade game realize that the odds are already great enough against them without stacking the cards in favor of their more experienced opponents. An even break, with a fighting chance for success, is the least our pioneer trade missionaries have a right to expect in the struggle they are making to create and develop new markets for American products.

The opening day of the Convention was devoted to the general consideration of the financial situation in various parts of the world, to the methods which can best be adopted to meet this situation, and to a concrete discussion of the use of long-term credits by those engaged in the export of manufactured goods, raw products, cotton, specialties, and foodstuffs.

The main Session on the second day of the Convention considered some general policies the adoption of which might be of permanent value to our foreign trade. The chief of these policies is embodied in the axiomatic statement that "to sell, we must also buy." Considerations affecting the development of an adequate Foreign Service by our Government were also discussed. The conclusions of the Joint Committee representing the National Foreign Trade Council, American Manufacturers' Export Association, National Automobile Chamber of Commerce, and National Civil Service Reform League were presented.

The principal Session of the third day dealt with the American Merchant Marine. The Chairman of the Foreign Trade Council presented his views on the subject of our wartime policy. The problems which the Marine Insurance Underwriter encounters in connection with port congestion, pilferage, and rejection of shipment, were also discussed. This session was completed by a discussion of the practical marine operating problems at present encountered by our shipping companies.

Speculation and Trade

Recent Business
Books Discussed

SOME there are who suppose that speculation is the child of stock exchanges and boards of trade. For their enlightenment James E. Boyle quotes, in "Speculation and the Chicago Board of Trade" (The Macmillan Company), a paragraph from Aristotle's "Politics":

"He (Thales) knew by his skill in the stars while it was yet winter that there would be a great harvest of olives the coming year; so having a little capital, he gave earnest money for the use of all the olive presses in Chios and Miletus, which he hired at a low price because no one bid against him. When the harvest time came, and many wanted them all at once and of a sudden, he let them out at any rate which he pleased, and made a quantity of money."

Writing about 300 years before Christ, Aristotle told not only of this corner in olive oil, but of another in which a Sicilian, "having money deposited with him," bought up the output of the island's iron mines; and so, when merchants from various markets came to buy, was the only seller. "And without much increasing the price," Aristotle records, "he gained 200 per cent."

But, admitting that the tendency to speculate antedates modern market machinery, is it or is it not true that boards of trade stimulate it and that artificial prices are created thereby? These are the main questions which Mr. Boyle, who is professor of rural economy

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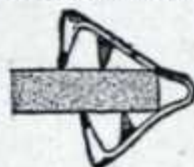
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This shows the way a round cooler has to be packed with broken ice. Ice in broken pieces melts fast and increases ice bills.

at Cornell and has contributed to THE NATION'S BUSINESS articles about the Non Partisan League, sets out clear-headedly to answer. The questions are related in particular to the Chicago board, and the answers involve a history of that organization and an explanation of its functions. Space forbids a discussion here of these phases of the book, but speculation on the board has figured so largely in the public thought of late, owing to attacks, that Mr. Boyle's facts and conclusions in regard to it are of special interest.

Mr. Boyle undertakes to show that instead of causing price fluctuations, speculation on organized exchanges stabilizes price, decreases fluctuations. Wheat and barley are two grains which afford a basis of comparison in this regard. Both are produced in many different countries, both are used as human food and as animal feed, whereas wheat is a subject of "future" trading, in which buyers and sellers against future delivery express their judgment as to what the future supply and demand will be, and barley is not. Citing the prices of these commodities for a series of years, Mr. Boyle shows that the fluctuations in barley are much more violent than in wheat.

But, the critic may say, it is nevertheless true that future prices influence cash prices when the grain enters the market—that cash prices are the "mere football of speculation." In refuting this, Mr. Boyle cites an interesting case in which the Government sought by interference to regulate the price of corn:

Do Futures Dominate?

THE course of corn prices on the Chicago Board of Trade for 1917-1918 illustrates the fact that futures do not dominate cash prices. The 1916 corn crop was small. In 1917 the crop was large—the largest on record, according to the figures published by the Department of Agriculture. But this corn was wet and very largely unmerchantable. Coupled with this fact came war conditions. Government food control, car shortages, coal shortages, and general market demoralization. However, the consumptive buyers of corn (the corn products companies, the mills, the feed manufacturers, livestock interests, etc.) needed the corn and bought freely. In January, 1917, cash corn ranged from \$0.93½ to \$1.03, and the May corn at the same time was \$0.93½ to \$1.03½, or practically the same as the spot. From this date on the premium on cash corn gradually increased, as both the spot and the future rose in price. In July cash corn had climbed to \$2.32—a figure so high as to alarm Government officials. At this period we were shipping every possible ounce of wheat to our Allies in the World War, and hence we were consuming all sorts of wheat bread substitutes, one of which was corn. Officials of the Federal Government gave a warning to the Board of Trade that corn prices were getting too high, and that speculation on corn must be curtailed or stopped altogether. The assumption apparently was that speculation was in part the cause of the rise in price—an assumption which later events proved to be contrary to the facts. The Directors accordingly, on July 11, fixed a maximum or upset price on corn futures for 1918 of \$1.28 and forbade the making of any future contracts for delivery during 1918 in excess of this upset price. And on the next day—July 12—the Directors made the same rule apply to all future corn contracts for December, 1917, delivery. This of course held the future price below \$1.28. Now, according to the theory of some thinkers, this regulation would have held the cash price down also. But the

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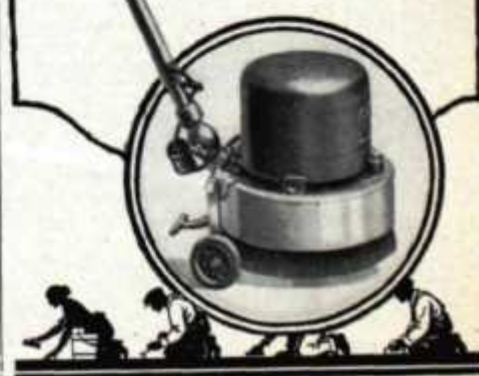
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contrary thing happened. The trend of cash price was upward, till the new corn crop began to arrive on the market. At no time after July did cash corn fall below \$1.60, and most of the time it was above \$2.00."

Future trading in a competitive market, such as the Chicago board, registers a price determined by the competing forces of buyers and sellers, of demand and supply. The difference between this kind of transaction and a corner, in which one firm or group seeks to gain control of the available supply, is explained at length by Mr. Boyle, and he goes into some detail in the history of spectacular corners on the Chicago board. They are obsolescent, partly because they have seldom been successful. As to trading on margin, this is a custom common in legitimate business, as Mr. Boyle makes clear, and is well enough exemplified in the purchase of an equity in real estate.

The Board of Trade in Chicago has persistently fought corners, just as it has fought bucket shops. It numbers farmers in its membership, and Mr. Boyle makes clear the benefit it confers on the farming community, especially in providing a cash market for the immediate sale of commodities. As Julius H. Barnes said, in his article on "A Straighter Road to Market," in the April number of this magazine, when he was discussing the collapse of farm prices last fall: "What would the dealer in leather, in wool and textiles, and commodities of a thousand kinds, have given for such a market; to be able to obtain a breathing space, at some sacrifice, instead of standing helplessly by and seeing the whole structure of values fall before his face without a chance to set a limit to the loss?"

Other Worthwhile Business Books

PRACTICAL BANK OPERATION, prepared by L. H. Langston; the Ronald Press Company, N. Y.; two v.

Routine and special banking functions, domestic and international.

FEDERAL EXCESS PROFITS TAX PROCEDURE, 1921, by Robert H. Montgomery, C.P.A.; the Ronald Press Company, New York.

THE HOUSING FAMINE: HOW TO END IT, E. P. Dutton & Co., New York.

Three writers express their views here in debate form. J. J. Murphy maintains that the scarcity of houses is due to war disorganization of the building industry and urges that governmental interference be eliminated. Mrs. E. E. Wood insists on State action. F. L. Ackerman says the problem can only be solved by "freeing the process of production from that control which views production as a medium of speculation or investment for profit."

REVIEW OF THE CYCLOPEDIA OF BUILDINGS, LOAN AND SAVINGS ASSOCIATIONS, revised by Henry S. Rosenthal, American Building Association News Co., Cincinnati, Ohio.

This new edition traces the origin and history of cooperative societies, the objects and benefits of building associations, and tells how to organize such bodies.

STRAIGHT BUSINESS IN SOUTH AMERICA, by James H. Collins, Appleton, N. Y.

A first-hand report on methods of commerce on the spot or from a desk with Latin-America.

ARGENTINE INTERNATIONAL TRADE UNDER INCONVERTIBLE PAPER MONEY, 1880-1900, by John Henry Williams, Harvard University Press.

OPEN GATES TO RUSSIA, by Malcolm W. Davis, Harpers.

A somewhat sentimental discussion of Russian trade conditions.

WHAT HAPPENED AT JUTLAND, by C. C. Gill, Doran. An American naval expert's study of the tactics of the only great sea battle of the war.

CONCRETE: ITS MANUFACTURE AND USE, the Kochring Company, Milwaukee.



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Here's an American Debt That Is Unpaid

By COL. F. W. GALBRAITH

National Commander, The American Legion

I WANT to call the attention of the business men of America to one abuse which is their business—the business of every good citizen. When we went to war we built no hospitals; we have built none since, practically speaking. We might have expected a million or two million casualties, derelicts thrown back on our shores, and what were we going to do with them? The records of the War Department show 651,000 men with disability; of that number today there are some 29,000 in hospitals. In what kind of hospitals? In about 105 Government owned or controlled hospitals of the Army, the Navy, and the Public Health, including the Soldiers' Homes and in 1,200 private hospitals scattered throughout the length and breadth of the land—those private hospitals, good, bad, and indifferent, but without the slightest particle of Government supervision.

There are 20,000 men outside of hospitals today who are knocking on the door and who cannot get in and who with proper hospital treatment can be made into an asset instead of a liability, a liability that is going to cost this Government much money and many lives. The toll is showing a rising tide of 1,500 a month more going into hospitals than are being discharged.

The conditions surrounding these men is very bad. No one man is to blame. The bureaus that were charged with the responsibility of caring for them have done all that they could do with the materials, with the facilities, with the law, and we started in to correct it, and we ask your help; that is your business; there is nothing that is any more your business than this one thing; and we have arrived at this conclusion:

That this must be remedied and the remedy is the consolidation of these three bureaus, the Bureau of War Risk Insurance, the Public Health Service, and the Board for Vocational Education under one executive head. In this the President concurs and he is now committed to the consolidation of these bureaus at once.

Help Is Needed

BUT we need help in the Congress; we want the voice of the people of the United States to say to the Congress: "Yes, we want you to do this; this is our business; without it you have overlooked an opportunity of service to the real heroes of the World War that you never would forgive yourselves for."

And then we want the Chamber of Commerce of the United States to say to the Congress of the United States: "We want you to provide the money for an adequate and permanent hospital building program that will put these men not in hovels, not in poor farms and county jails where they now lie, but in a decent place."

We do not like to see growing up in the minds of these men a spirit that the American people don't want them; we want them to feel that the American manufacturer does want them, the American business man does want them because they believe that these men are now, as they were during the war, the first line of defense. They can be depended upon now just as well as they could then. We do not want any particular preference for them, my friend; we do want them to have an equal deal. If in your judgment those men are the kind of men that I

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The important thing about this greatest of prime movers is the fact that it is but an enlargement of the fundamental design which Westinghouse has been developing, without a single backward step, since 1897. That was the year when the Parsons patents became the

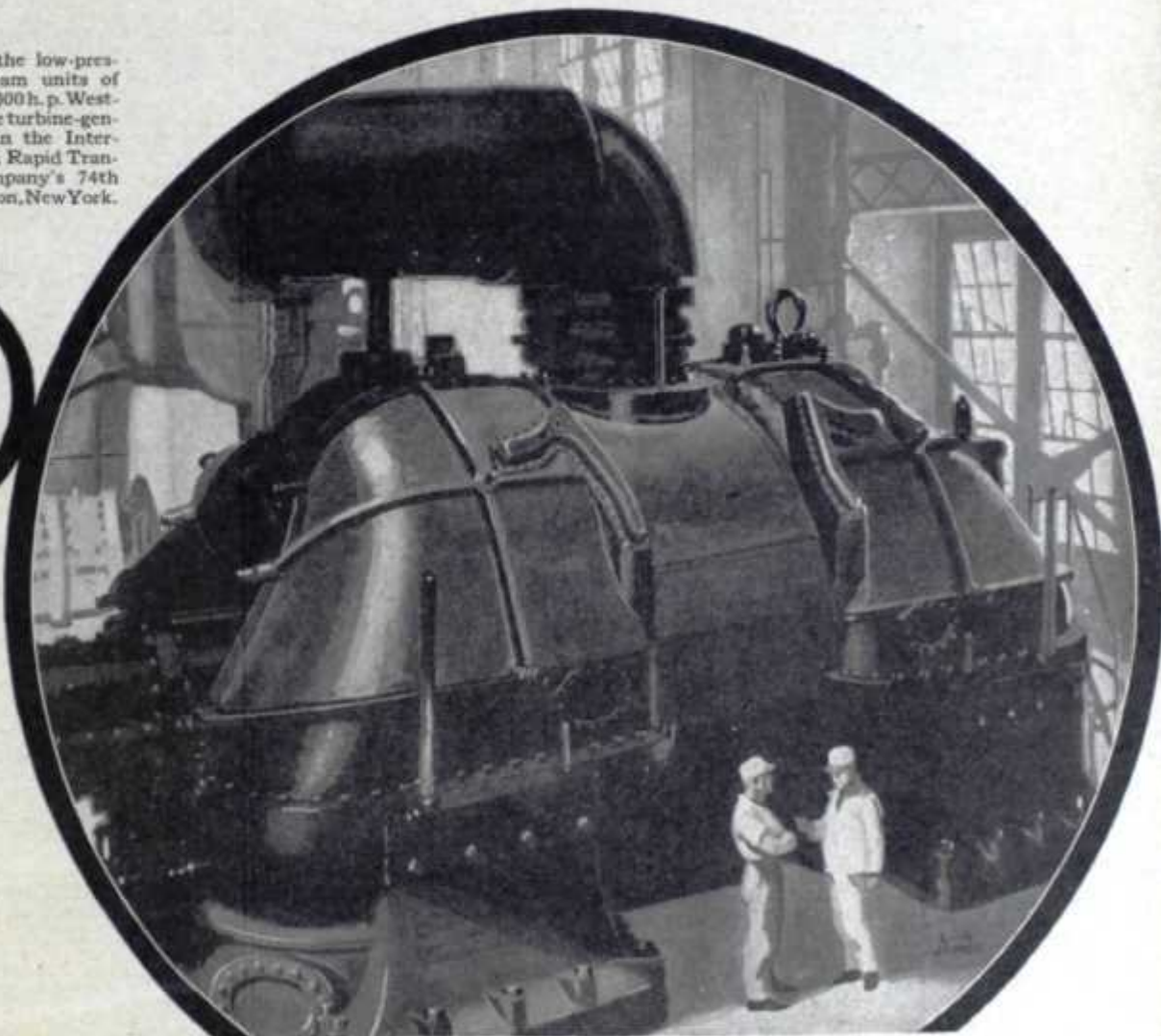
property of Westinghouse in America. The great turbines which this Company builds today represent logical and consistent progress from those basic ideas; progress founded on research, on hard work, and on engineering intelligence which this Company is proud to honor.

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By C. T. CONOVER

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Then make a note that one-sixth of the nation's water power is tributary to Seattle and one-third in her trade territory, plus a never failing supply of coal at her doors.

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believe them to be—and I work with them—I would rather have around me in my business men that have served their country and can be depended upon than any other group of men I have ever seen.

Germany's Casualties in Cattle

THE HOG obviously felt the burden of war in Germany. In 1913 Germany had 25,000,000 swine. By September, 1919, the number had fallen to 11,000,000. In September, 1920, however, the losses in the hog population were showing recuperation; for the number had risen to 14,000,000.

The sheep population and the goats did not go to the slaughter house during the war at such a rate as the pigs, both ending the war with their numbers at least equal to figures for 1913. Subsequently to the Armistice sheep showed a decided increase, numbering 5,700,000 in 1919 and 6,600,000 in September, 1920.

After the hogs, cattle showed the greatest decrease during the war. Of all kinds there were 20,400,000 in 1913. In September, 1919, there were 16,300,000, a figure which had become 16,900,000 in September, 1920.

STATEMENT of the Ownership, Management, Circulation, Etc., required by the Act of Congress of August 24, 1912, of The Nation's Business, published monthly at Washington, D. C., for April 1, 1921.

City of Washington, D. C. Before me, a Notary Public, in and for the City and District aforesaid, personally appeared John Hanrahan, who, having been duly sworn according to law, deposes and says that he is the business manager of The Nation's Business, and that the following is, to the best of his knowledge and belief, a true statement of the ownership and management of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business manager are: Publisher, Chamber of Commerce of the United States, Washington, D. C. Editor, Merle Thorpe, Washington, D. C. Managing Editor, Frank S. Tiedale, Washington, D. C. Business Manager, John Hanrahan, Washington, D. C.

2. That the owners are: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors.

The officers and directors are as follows:
President: Joseph H. DeFrees, Chicago, Ill.; Resident Vice-President: Elliot H. Goodwin, Washington, D. C.; Vice-Presidents: A. C. Bedford, New York City, William Butterworth, Moline, Ill., Philip S. Tuley, Louisville, Ky., Maynard McPie, Los Angeles, Calif.; Secretary, D. A. Skinner, Washington, D. C.; Treasurer, John Joy Edson, Washington, D. C.; Directors: Max W. Babb, Milwaukee, Wis., George H. Harbour, Detroit, Mich., R. M. Bissell, Hartford, Conn., A. E. Carlton, Colorado Springs, Colo., J. E. Chilberg, Seattle, Wash., John M. Crawford, Parkersburg, W. Va., Clyde C. Dawson, Denver, Colo., William J. Dean, St. Paul, Minn., Howard Elliott, New York City, Dorr E. Felt, Chicago, Ill., Philip H. Gadsden, Charleston, S. C., Charles C. George, Omaha, Neb., Edwin Clark Gibbs, Cincinnati, Ohio, Clarence H. Howard, St. Louis, Mo., A. L. Humphrey, Pittsburgh, Pa., Frank H. Johnston, New Britain, Conn., Frank Kell, Wichita, Falls, Tex., James S. Kemper, Chicago, Ill., Charles S. Keith, Kansas City, Mo., Frederick J. Koster, San Francisco, Calif., W. S. McLucas, Kansas City, Mo., Lewis E. Pearson, New York City, John L. Powell, Wichita, Kans., Bernard J. Rothwell, Boston, Mass., M. J. Sanders, New Orleans, La., Lewis B. Stillwell, New York City, George Ed. Smith, New York City, John W. Staley, Detroit, Mich., Henry C. Stuart, Elk Garden, Va., Ernest T. Trigg, Philadelphia, Pa., Henry M. Victor, Charlotte, N. C., Theodore P. Whitmarsh, New York City, Thomas E. Wilson, Chicago, Ill.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

JOHN HANRAHAN,
Business Manager.

Sworn to and subscribed before me this 2nd day of April, 1921.

(Seal)

LACEY C. ZAPP,
Notary Public, District of Columbia
(My commission expires Sept. 28 1922)



Flame shelling! —range 3 miles

This actually happened



*From New York Times
March 25, 1920*

THAT a house should catch fire from a blaze three miles away may sound unusual. Perhaps it is. But this newspaper clipping indicates that it isn't distance from a fire that gives security to your building. It's the roofing on the building that makes it fire-safe—or fire-inviting.

Isolation is not safety

Had this house been covered with an all-mineral roof—such as any of the Johns-Manville Asbestos Roofings, the burning ember would simply have burned itself out—and not the building. It is just another case where isolation fooled the owner.

Read the reports of any conflagrations and you will see how single fires become conflagrations by this same roof-to-roof jump.

The panorama photo of a recent conflagration shows five distinct fires which sprung up shortly after the initial blaze. One nearly two miles away. Each in a district where inflammable roofs predominated.

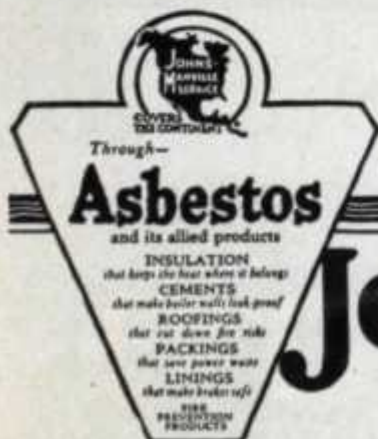
Johns-Manville Asbestos makes all roofs fire-safe

So when you cover your buildings with some form of Johns-Manville Asbestos Roofing—it does more than protect your property. It helps form the kind of barrier that will stop these community conflagrations that happen at the rate of two a day.

Asbestos Shingles for residences, Asbestos Built-Up Roofing for flat roofs, Asbestos Roll Roofing for sloping roofs approved by Underwriters' Laboratories, Incorporated.

JOHNS-MANVILLE, INC., Madison Avenue at 41st Street, New York City
Branches in 63 Large Cities

For Canada: CANADIAN JOHNS-MANVILLE CO., Ltd., Toronto



JOHNS-MANVILLE

Serves in Conservation



Ferguson-built for the Liggett & Myers Tobacco Co., Richmond, Va. The first unit of what will be the world's largest cigarette factory. Francisco & Jacobus, Architects, New York.

He built in "hard times"

THERE is a middle-western paper manufacturer who bucked public opinion in 1913 and built a new mill. His friends and neighbors warned him emphatically. He profited by the step to the tune of a million dollars.

Today he is building again on a Ferguson contract.

Again we emphasize—"the right time to build is before the boom."



About Buying Buildings

Harold K. Ferguson

Finding bed-rock

RECENT purchasing in the spot market for building materials proves that bargains come to light when cash money enters.

For a recent large Southern job we picked up all lumber for forms and floors of a reinforced concrete building at half the cost for a similar job last year.

Savings like that are being credited daily to our customers under our **FIXED FEE-LIMITED COST** Contract, which returns to the owner the lion's share of all savings.



Unit Responsibility

THE Ferguson Company will assume unit-responsibility for the design, construction and equipment and delivery of your complete building on a fixed date at a fixed cost. Our bid will surprise you by its economy. It's only good business to compare it with any others you may have now.



Write for our book,
"Better Buildings for Bigger Business"

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Great Moments in Baseball

Tris Speaker shutting off a runner at the home-plate with a throw from center.

George Sisler setting a new world's record with his 257th safe hit for the season.



"Ice Cold Coca-Cola!"

Ty Cobb stealing home.

Wambsgans pulling down a liner over second and making an unassisted triple play by catching the runners from second and first.



Ranking with these in the pleasures of the national game, coming just at the right moment every time, is the refreshment of Coca-Cola, delighting taste and satisfying thirst.

Coca-Cola was a favorite when baseball first came into its own.



No fear of the heat of the sun

Coca-Cola is a favorite everywhere when thirst

and taste suggest an impulse.

Sweetened with the nutritious sweetness of pure cane sugar, flavored with a perfect blend of choicest savors, sparkling with the bubbles of pure carbonated water, Coca-Cola is an inimitable combination of good things from nine sunshiny climes which makes great moments any hour every day that delight like the great moments in baseball.



Pity the poor umpire

Drink
Coca-Cola
TRADE MARK REGISTERED
DELICIOUS AND REFRESHING
THE COCA-COLA COMPANY, ATLANTA, GA.

